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BEFORE THE ARIZONA CORPORATION COMMISSION

RENZ D. JENNINGS
Chairman
MARCIA WEEKS
Commissioner
CARL J. KUNASEK
Commissioner

Arizona Corporation Commission
DOCKETED

NOV 6 1995

DOCKETED BY SS

THE APPLICATION OF ASC TELECOM, INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE INTEREXCHANGE SERVICE AND PETITION TO DETERMINE THAT ITS SERVICES ARE COMPETITIVE.

Docket No. U-3044-95-461

APPLICATION

ASC TELECOM, INC. (ASC), by and through its undersigned attorneys, files this application for a Certificate of Convenience and Necessity (CCN) to provide intrastate interexchange telecommunications services in accordance with Rule 14-2-1104 (A) and 14-2-1105 issued in Docket No. R-0000-94-424. ASC also petitions the Arizona Corporation Commission (Commission) for a determination that its services are competitive in accordance with Rule 14-2-1108. In support of its Application, ASC states as follows:

I. Rule 14-2-1104 (A) Information

1. **Description of ASC.** ASC is an intrastate interexchange carrier providing operator services and prepaid card services. ASC is a wholly-owned subsidiary of Sprint Corporation (Sprint). Attached as Exhibit A is Sprint's 1994 Annual Report to Shareholders and Exhibit B is Sprint's Form 10K filed with the Securities and Exchange Commission on March 31, 1995.

2. **Telecommunications services which ASC seeks to offer.** ASC seeks authority to provide intrastate interexchange telecommunications

services within the State of Arizona. ASC will provide as its initial services operator services and prepaid card services. ASC operator services will be provided primarily to the hospital industry and the payphone industry. Prepaid card services will be provided directly to consumers for use throughout the United States.

3. Proper name and address of ASC. For regulatory purposes, ASC's address is 8140 Ward Parkway, 5E, Kansas City, MO 64114. All communications, orders, and inquiries should be directed to:

Martha Jenkins
Regulatory Affairs
8140 Ward Parkway 5E
Kansas City, MO 64114

4. List of Officers and Directors. A list of Officers and Directors is found in Exhibit C.

5. Tariff for each service. Attached as Exhibit D are the proposed tariffs for ASC's services.

6. Detailed description of geographic market. ASC will provide intrastate interexchange telecommunications services statewide. Attached as Exhibit E is a map of Arizona.

7. City, County and State agency approvals. Attached as Exhibit F are Arizona's authorization to transact business and an Arizona certificate of Good Standing.

II. Rule 14-2-1105 Information

A. In accordance with Rule 14-2-1105(A), ASC submits the following information:

1. Description of the company's technical capability to provide the proposed services and the financial resources of the telecommunications company.

ASC has the financial, technical, managerial resources and experience to provide the proposed services. Since ASC is a new operation, it has no financial operating results but will be backed by the financial resources of Sprint, which, as shown in Exhibits A and B, are more than adequate. Exhibits A and B also demonstrate that Sprint has vast experience and technical and managerial resources for the provision of telecommunications services. Those resources have been used in the formation of ASC, which consequently has personnel and management with the experience and abilities necessary to provide the proposed services.

2. Information describing the financial resources. See Exhibit A which includes Sprint's balance sheet and income statement.

3. Copies of documents evidencing formation of the telecommunications company. Attached as Exhibit G are copies of the Kansas Articles of Incorporation and Bylaws of ASC Telecom, Inc.

B. In accordance with Rule 14-2-1105 (B), ASC petitions for a determination that the telecommunications services which ASC intends to provide are competitive, pursuant to Rule 14-2-1108, and submits the following information:

The provision of operator services and prepaid card services are subject to competition, as reflected by the recent Commission approval of Competitive Telecommunications Rules in Docket No. R 0000-94-424, so that no demonstration of public need and convenience should be required. However, it is nonetheless evident that the public will be served by approval of this application. ASC services will provide the public with innovative high quality services which make efficient use of existing resources while providing consumers with increased long distance calling options. ASC should therefore be granted a certificate to better provide for the public convenience and necessity.

WHEREFORE, ASC requests the Commission grant this Application and a CCN to authorize ASC to provide intrastate interexchange telecommunications services within the State of Arizona, and that the Commission declare ASC's services to be competitive.

Dated November 3, 1995.

Respectfully submitted,

Martha Jenkins

Martha Jenkins
Attorney
Sprint Communications Company, L.P.
8140 Ward Parkway, 5E
Kansas City, MO 64114
(913) 624-6184
FAX (913) 634-5681

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was mailed, first-class postage prepaid, this 6th day of November, 1995 to the parties of record in Arizona Corporation Commission Docket No. R-0000-94-424.

Carol Griesenauer

Carol Griesenauer

EXHIBIT A

Copy of the 1994 Sprint Annual Report, which includes Sprint's 1994 balance sheet and income statement.

Sprint

DEFINING THE **Communications** COMPANY OF THE ***Future***

1994 ANNUAL REPORT TO SHAREHOLDERS

Sprint set the standard in long distance with its fiber-optic network. Now competition is coming to a much larger local communications market. By joining with our cable partners in a revolutionary venture, we will be **setting the standard** once again. We're **creating the blueprint** that other communications companies will have to follow: a new kind of company that delivers the entire interconnected world of globe-spanning voice, video and data – all from a single source. Customers will benefit from better services, competitive prices and pin-drop quality. Sprint shareholders will benefit from long-term value.

Sprint

We are defining the communications company of the 21st Century... seizing a bold, strategic opportunity that comes only

Sprint is the industry leader in introducing prepaid long distance phone cards in the United States.

Sprint is a diversified telecommunications company providing global voice, data and videoconferencing services and related products. Unique in its major presence in long distance, local and wireless communications, the company is also a founding partner in a joint venture that will offer integrated communications services to approximately one-third of U.S. homes. Sprint has more than 50,000 employees worldwide, annual revenues of more than $12.6 billion and total assets of nearly $15 billion. Founded in 1899, Sprint maintains its world headquarters in Kansas City.

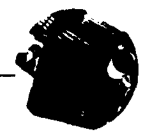
As of or for the Years Ended December 31, (in millions, except per share data)	1994	1993	% Change
Net operating revenues			
Long distance communications services	**$ 6,805.1**	$ 6,139.2	11%
Local communications services	**4,412.8**	4,126.0	7%
Cellular and wireless communications services	**701.8**	464.0	51%
Product distribution and directory publishing	**1,108.7**	945.2	17%
Intercompany revenues	**(366.6)**	(306.6)	20%
Total	**$12,661.8**	$11,367.8	11%
Income from continuing operations	**$ 883.7***	$ 480.6*	84%
Earnings per common share from continuing operations	**$ 2.53***	$ 1.39*	82%
Dividends per common share	**$ 1.00**	$ 1.00	—
Average common shares outstanding	**348.7**	343.7	1%
Total assets	**$14,936.3**	$14,148.9	6%

*Sprint Corporation's income from continuing operations and related earnings per common share amounts in 1994 and 1993 were affected by nonrecurring items. During 1994, a nonrecurring gain was recorded related to the sale of an investment in equity securities. During 1993, nonrecurring charges were recorded related to the merger with Centel Corporation; realignment and restructuring actions; and changes in federal tax laws and rates. Excluding such nonrecurring items, 1994 income from continuing operations was $862 million ($2.47 per share), as compared to $687 million ($1.99 per share) in 1993.

Long distance achieves record revenues and operating income.
See page 11

Local revenues increase 7%... best in the industry.
See page 16

Cellular and wireless customer base doubles in 18 months. **See page 20**



Product distribution and directory publishing grow and diversify.
See pages 23 and 24

VISION ▸ To be a world-class telecommunications company – the standard by which others are measured **GOALS** ▸ Exceptional Customer Satisfaction ▸ Inspired, Innovative and Empowered Employees ▸ Superior Financial Results **VALUES** ▸ Customer First ▸ Integrity in All We Do ▸ Excellence Through Quality ▸ Respect For Each Other ▸ Growth Through Change ▸ Community Commitment ▸ Productive Work Environment ▸ Representative Work Force ▸ Shareholder Value

VISION

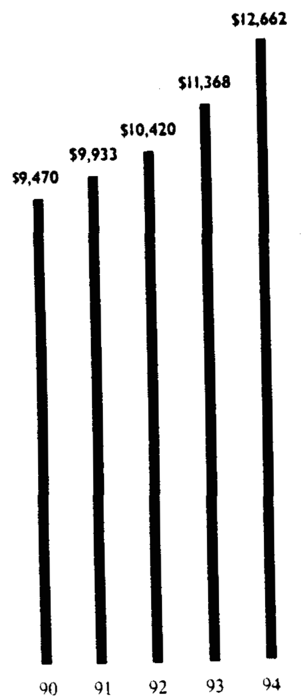
GOALS

VALUES

KEY INDICATORS

NET OPERATING REVENUES

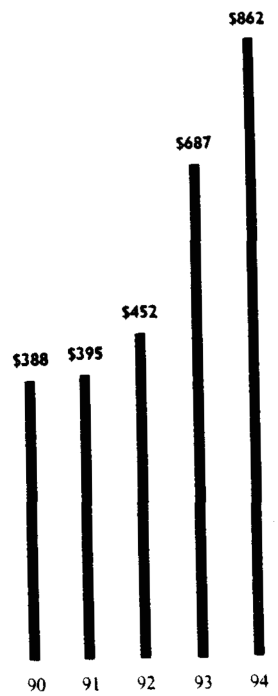
(in millions)



Net operating revenues have increased 11 percent from 1993 to 1994 and have grown at a compounded annual growth rate of 8 percent over the past four years.

INCOME FROM CONTINUING OPERATIONS-EXCLUDING NONRECURRING ITEMS

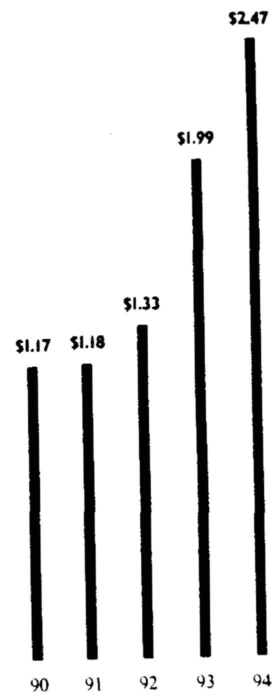
(in millions)



Income from continuing operations, excluding nonrecurring items, increased 25 percent from 1993 to 1994 and has grown at a compounded annual growth rate of 22 percent over the past four years.

EARNINGS PER SHARE FROM CONTINUING OPERATIONS-EXCLUDING NONRECURRING ITEMS

(in millions)



Earnings per share from continuing operations, excluding nonrecurring items, increased 24 percent from 1993 to 1994 and has grown at a compounded annual growth rate of 21 percent over the past four years.

1994: AN *exceptional* YEAR

To Our Shareholders:

For Sprint, 1994 was an exceptional year of accomplishment, both from a strategic as well as an operational results perspective.

We launched landmark strategic initiatives that may well define the way communications services and products will be delivered in the future and produced record financial results that included a 25 percent increase in earnings and an 11 percent increase in revenues.

WE EMERGED FROM 1994 WITH LANDMARK STRATEGIC ACCOMPLISHMENTS AND RECORD FINANCIAL RESULTS.

Responding to the marketplace

Fundamental changes in technology and customer demand are offering the opportunity to restructure the communications industry. As emerging technologies open vast new pathways for voice, video and data communications, the demand for seamless worldwide connectivity is rapidly growing beyond the individual capabilities of today's communications industry. The lines of distinction between long distance, local and wireless communications are becoming blurred and in the future will probably not be relevant. The convergence of the cable television and telecommunications industries is inevitable.

Against this backdrop, we announced the two most significant Sprint initiatives since we redefined quality in the communications industry by building the first and only 100 percent digital, fiber-optic network in the United States.

In June, we signed a Memorandum of Understanding (MOU) with France Telecom and Deutsche Telekom, Europe's two largest telecommunications entities, that could lead to the creation of the most comprehensive partnership ever formed in the international marketplace.

The MOU also calls for France Telecom and Deutsche Telekom to make a major financial investment in Sprint. While there are a number of conditions that need to be satisfied, including reaching detailed definitive agreements and getting government approvals, we are hopeful of implementing the transaction in 1995.

In October, we announced plans for a joint venture with Tele-Communications Inc., Comcast Corporation and Cox Communications, three of the largest cable television operators in the U.S., that will create

Sprint Chairman and Chief Executive Officer William T. Esrey

an unprecedented communications alternative – packaging local telephone, long distance and wireless communications with cable services into a single offering for consumers and businesses.

With direct access to approximately one-third of America's homes, the Sprint/cable venture represents an extraordinary opportunity as competition comes to the $95 billion local communications marketplace. Our market reach will expand even further as additional cable operators affiliate with the venture. When combined with nationwide personal communications wireless service and Sprint's global long distance operations, the venture will create a seamless communications system that will be difficult, perhaps impossible, for competitors to replicate.

In 1994 we also engaged in discussions with Electronic Data Systems regarding a strategic relationship that included a possible merger of equals. EDS is a leader in information technology and a pioneer in computer system integration and outsourcing. Sprint and EDS share a similar vision about the convergence of communications and information technology. We were unable to reach agreement on the financial terms of a transaction and terminated our merger discussions; however, we continue to work closely with EDS on a wide variety of efforts to satisfy the needs of customers of both companies.

THE SPRINT/CABLE VENTURE WILL CREATE A SEAMLESS SYSTEM THAT WILL BE DIFFICULT, PERHAPS IMPOSSIBLE, FOR COMPETITORS TO REPLICATE.

Strong operating performance

As we expand our interests and reach, we are building from a solid base of core competencies. Each of our major lines of business – long distance, local communications and cellular and wireless – achieved strong operating results in 1994. Revenues grew to $12.66 billion. Earnings per share from continuing operations were $2.47, up from $1.99 in 1993 (excluding the effects of a one-time gain in 1994 and one-time charges in 1993).

Operating in a highly competitive environment, long distance operating income rose 21 percent and revenues grew 11 percent. Sprint's calling volume and revenues grew faster than the industry, indicating strong consumer acceptance of our products and services, and in the fourth quarter our minutes of use growth rate led the industry's largest carriers. We had solid performance in the key international, data and "800" services markets, each of which grew at better than a 20 percent rate in 1994.

Regrettably, in the fourth quarter, a streak of nine consecutive quarters of increased long distance operating income was broken. We experienced a decrease from the third to fourth quarter 1994, the result of a decline primarily driven by intense competition in the long distance marketplace. However, compared to fourth quarter a year earlier, long distance revenues grew 7 percent and operating income increased 4 percent.

We have taken steps to reinforce and build on our market position through new product introductions, marketing initiatives, process and productivity improvements, and investments in new technology that we believe will further differentiate Sprint's services in the marketplace. Already in 1995 we introduced Sprint Sense℠

to the residential market, a simple-to-understand flat rate calling plan designed to improve customer retention.

Sprint's local communications division enjoyed a banner year in 1994, as both revenues and operating income grew 7 percent during the year. Our strong performance in 1994 was fueled by access line growth rates that were among the industry's best, by solid increases in access minutes of use, by strong customer demand for new vertical services and by increases in equipment sales. The local division continues to leverage its advanced network infrastructure, which includes digital switching service to more than 97 percent of our local customers.

Our nationally recognized brand has been a powerful driver in Sprint Cellular's excellent results. More than 1 million customers, a 59 percent increase from a year ago, now have Sprint Cellular service, making Sprint the eighth-largest cellular operator in the nation. Market penetration improved to 5.4 percent of the population we serve. Both our customer growth rate and market penetration are among the best in the industry.

Despite the company's strong, across-the-board financial performance, the price of Sprint shares declined in the second half of 1994. We find this disappointing and frustrating.

We believe the decline, which affected most of the telecommunications industry, may be due in part to uncertainties surrounding regulatory and legislative changes that may emerge in coming months, uncertainty related to the completion of our international alliance and the timing and magnitude of our investment in developing a competitive local communications service on a national scale. While there are uncertainties in our business, or in any business, we have no doubt that the company is stronger and better positioned for the future than ever before.

A unique combination of assets

Sprint continues to build on its unique combination of assets – including one of the industry's most highly recognizable brand names; America's only nationwide 100 percent digital, fiber-optic network; a strong presence in long distance, local and wireless communications; a powerful international position; and a team of highly capable, motivated employees.

OUR INTENT IS TO EMERGE AS ONE OF A HANDFUL OF TRULY SIGNIFICANT COMMUNICATIONS COMPANIES IN THE WORLD.

Our intent is to emerge as one of a handful of truly significant communications companies in the world. Together with our partners, we have taken the necessary steps to create a single-source provider that will define communications in the 21st century. Through prudent, measured investment and constant focus on the needs of our customers, we remain committed to building long-term shareholder value and a company that serves its customers and its employees in a world-class manner.

Sincerely,

Bill Esrey

William T. Esrey
Chairman and Chief Executive Officer
March 7, 1995

SPRINT'S STRATEGIC VISION

CHOICE

DEREGULATING THE LOCAL PHONE COMPANIES

WHAT CONSUMERS

DRAWING THE blueprint FOR THE FUTURE OF communications

A decade ago, Sprint revolutionized the long distance market by building the industry's first 100 percent digital fiber-optic network.

Today, Sprint is blazing a bold new trail toward full competition in the $95 billion local communications marketplace. Our blueprint, which took shape during 1994, promises to define the way communications services are delivered into the next century.

Sprint's vision is anchored in our ability to deliver the industry's best package of integrated communications services – voice, video, data and wireless. While others may talk about creating a total package of services, Sprint has made it a reality through our presence in the local, long distance and wireless businesses, combined with our planned joint venture with three of America's largest cable TV companies – TCI, Comcast and Cox.

By linking brand image and our core strengths with these cable TV partners, Sprint is building a new company. It will offer both wireline and wireless communications delivery to the doorstep of consumers and businesses across the nation and that will bring choice to the local telephone marketplace for the first time on a national basis.

In Little Rock, Ark., Sprint is already testing a new broadband service that demonstrates the power of this integrated communications concept. Called "Customer Choice 2000," the service delivers Sprint long distance, 22 channels of cable TV, plus switched video and data services – all over a single line, at a level of quality rated superior to existing communications delivery systems by those participating in the trial.

The advantages of a service like Customer Choice 2000 are clear: along with improved picture quality, subscribers get lower costs for their voice and data calls. As soon as competition is allowed, competitive local service can be added, too – piggybacking local voice calls onto the same high-capacity line.

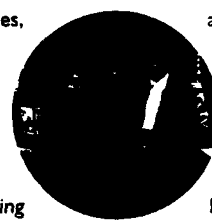
OUR BLUEPRINT, WHICH TOOK SHAPE DURING 1994, PROMISES TO DEFINE THE WAY COMMUNICATIONS ARE DELIVERED WELL INTO THE NEXT CENTURY.

This superior broadband technology is just part of Sprint's blueprint for the future of communications. An equally important component is attractive market coverage. Sprint's three cable TV partners today operate networks that pass 30 million homes – about a third of the total households in the U.S. That number is expected to grow as additional cable companies affiliate with the Sprint/cable venture. Because these cable systems cover the "last mile" to the home or office with broadband transmission capacity, they are a perfect complement to Sprint's nationwide fiber-optic long distance network.

Sprint's integrated service strategy includes two other important components as well: global reach and wireless technology. Our 1994 Memorandum of Understanding with Europe's two largest telecommunications carriers – Deutsche Telekom and France Telecom – envisions the establishment of a powerful new global competitor. In the U.S., the Sprint/cable venture will have a growing presence in the wireless market – with the strategic goal of establishing a nationwide wireless service that can be fully integrated with the venture's wireline voice, data and video services.

Just as we reshaped the industry with fiber-optic technology a decade ago, Sprint's bold moves in 1994 began forging a dramatic new model of seamless, integrated communications for the 21st century and beyond. On the strength of Sprint's leadership, competition and innovation will soon transform the market for local communications – and, ultimately, customers will emerge as the big winners.

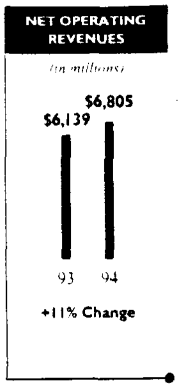
	DESCRIPTION	MARKETS
LONG DISTANCE	Sprint provides global voice, video and data communications services. The long distance division serves nearly 8 million customers with the only nationwide 100 percent digital, fiber-optic network in the U.S. It also provides voice services to more than 290 countries and locations, including connections to 100 percent of the world's direct-dial countries. Sprint also owns and operates SprintNet®, one of the world's largest global data networks, with switching centers in more than 300 major cities in Europe, Asia and Latin America.	Long distance markets include residential; small, medium and large businesses; domestic and international; and federal, state and local governments. Sprint has as customers 81 percent of the Fortune 500 largest U.S. industrial companies, as well as offshore-based multinational corporations. The company is developing a presence in emerging multimedia markets through rapid deployment of value-added services that are portable, customizable, and easy to use.
LOCAL TELECOMMUNICATIONS	Sprint provides local telephone service through more than 6.4 million customer lines in 19 states. More than 97 percent of local customers are served by digital switching technology; more than 70 percent are served by Signaling System 7 software. Additionally, more than 13,000 sheath-miles of fiber-optic cable is deployed systemwide. This provides a platform for a portfolio of network-based voice, video and data services.	Local markets include residential; small, medium and large businesses; and federal, state and local governments. The operating companies also provide access to local customers for long distance companies. In addition to regulated services, Sprint serves growing markets for unregulated, value-added services, inside and outside its traditional territories. The company is positioned in growing markets for interactive and multimedia services, including telemedicine, distance learning, financial and entertainment applications.
CELLULAR AND WIRELESS	Sprint Cellular is one of the nation's fastest-growing cellular companies. The company operates cellular systems in 87 metropolitan and rural service areas in 14 states, and it has ownership interests in 53 other markets, representing proportionate market ownership of 20.5 million potential customers. In terms of customers, Sprint Cellular's customer base is larger than the cellular operations of two Regional Bell Operating Companies.	Sprint Cellular provides cellular voice and data service to individual consumers; small, medium and large businesses; as well as federal, state and local governments. In 1994, Sprint Cellular closed the year with more than 1 million customers after experiencing a growth rate of 59 percent. Sprint Cellular also is well positioned to participate in emerging markets for wireless data and Personal Communications Services (PCS).
PRODUCT DISTRIBUTION	Sprint/North Supply is one of the nation's largest wholesale distributors of voice, data and teleconferencing equipment, security and alarm systems, cable television and electrical products.	Sprint/North Supply provides equipment and services to major telecommunications companies, various product resellers, cable television companies, and security and alarm dealers. Sprint/North Supply also serves markets with materials management services.
DIRECTORY PUBLISHING	Sprint's publishing companies, comprised of Sprint Publishing & Advertising and Centel Directory Company, collectively are the 10th largest Yellow Pages publisher in the United States.	The Sprint Publishing & Advertising companies publish 335 directories with an annual circulation of 16.1 million across 20 states. The subsidiary also serves markets for specialty directories and integrated marketing services.

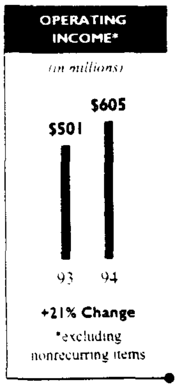


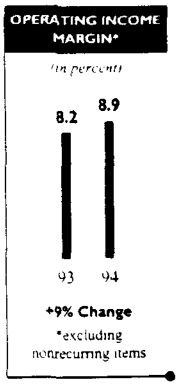
We are prepared to **LEAD** our *industry* into the 21st Century

1994 RESULTS | **KEY STRATEGIES**

LONG DISTANCE





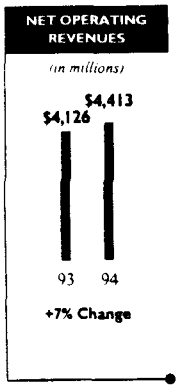


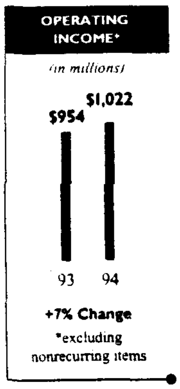
Focus resources on key markets: Pursue the extraordinary opportunity to reach millions of additional customers through our new cable venture. Expand Sprint's brand recognition. Position for the future by anticipating regulatory and competitive changes.

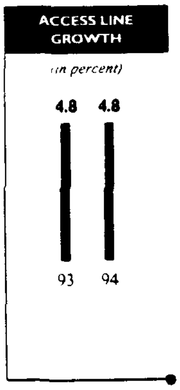
Accelerate revenue while improving operating income growth: Implement an advanced, broadband infrastructure which improves efficiency, reduces costs, and enhances business process improvement. Offer services with a level of reliability previously unheard of in the industry.

Capitalize on our worldwide service offering: Grow international markets through strategic alliances and expansion of Sprint's global network facilities.

LOCAL TELECOMMUNICATIONS





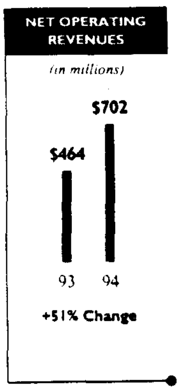


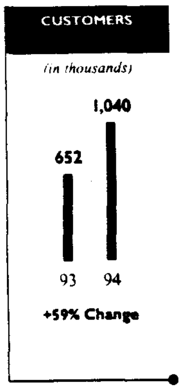
Accelerate operating income growth and improve cost efficiency: Focus on improvement in operating efficiencies through continued process improvement, selective organizational streamlining and information system enhancements. Increase emphasis on marketing non-regulated, value-added products and services.

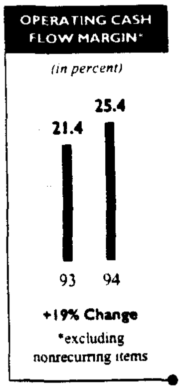
Further enhance network technologies: Deploy technologies to meet emerging demand for advanced broadband services.

Seek regulatory and legislative changes: Encourage progressive public policies to bring the full benefits of communications capabilities to customers.

CELLULAR AND WIRELESS





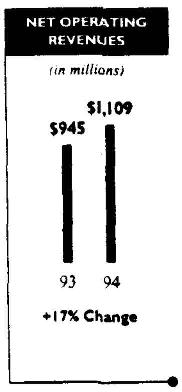


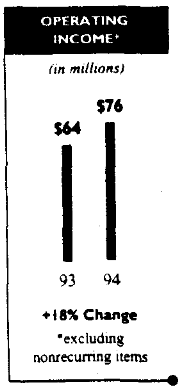
Expand customer base: Broaden and diversify our distribution channels and maximize value of customers they attract. Attract and retain customers through exceptional customer service.

Strengthen our incumbent position: Build on our network infrastructure and maximize our customer service and marketing advantages to prepare for future PCS competition. Leverage the Sprint brand and pursue integration opportunities with Sprint's PCS plans.

Improve operating margins and financial results: Enhance average revenue per customer and improve our yield per minute of use, cut fraud and bad debt, consolidate functions, and utilize more efficient technologies.

PRODUCT DISTRIBUTION / DIRECTORY PUBLISHING





PRODUCT DISTRIBUTION

Increase operating income: Achieve reduced expenses and improved operational efficiency. Increase emphasis on marketing high-margin products.

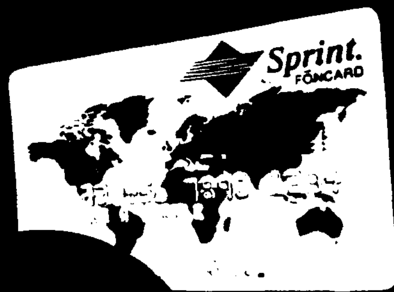
Enhance industry position: Concentrate on key strategies, including customer service, process improvement and solution selling – to position as the industry's leading distributor.

DIRECTORY PUBLISHING

Improve customer satisfaction: Provide the most efficient resource for consumer buying decisions. Implement a market-focused, value-based pricing strategy.

Position for future growth: Grow the core business while investigating alternatives for Yellow Pages delivery. Continue to automate and integrate sales, graphics and production functions.

For the third time, Sprint was the choice to upgrade the Department of Energy's Energy Sciences Network, managed by Lawrence Livermore National Laboratory in Livermore, Calif. *Tim Clifford*, left, director-engineering for Sprint's Government Systems Division in Herndon, Va., worked closely with *Jim Leighton*, Lawrence Livermore's manager-networking and distributed computing, *to help complete the $24.7 million contract*, which uses advanced broadband communications and ATM (Asynchronous Transfer Mode) technology.



GLOBAL PARTNERSHIP

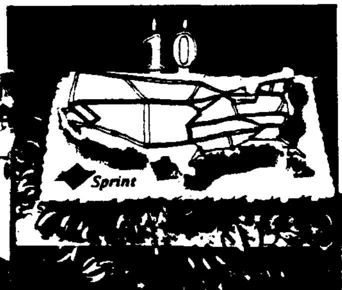
The long distance division handles a variety of teleradiology, telemedicine and video work for hospitals, physicians, insurance concerns and other health care providers through its Healthcare Application Network Delivery System (HANDS℠), a nationwide medical information network.

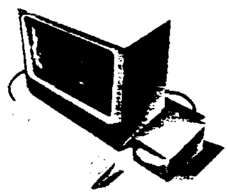
AGGRESSIVELY ANTICIPATING **customer** NEEDS IN A ***global*** ECONOMY

LONG DISTANCE 1994 YEAR IN REVIEW

◂ **Targeting the college market in 1994.** Sprint produced significant market share growth. Sprint's *Al Lenio*, left, worked with Barnes & Noble Bookstore Manager *Chuck Booth* on a successful long distance marketing campaign at Old Dominion University in Norfolk, Va.

▾ The year 1994 marked the **10th anniversary celebration** of what is still the only nationwide, 100 percent digital, fiber-optic long distance telephone network. Sprint began construction of the network in 1984.





▴ Sprint will begin **cross-marketing campaigns with its new cable television partners.** Starting in 1995, Sprint will gain direct access to nearly 30 million American homes.

▴ Sprint unleashed **the largest prepaid telephone card promotion in U.S. history.** Under the supervision of Sprint Telemedia's *Harry Campbell*, 4.4 million Sprint prepaid FONCARDS℠ have been included in Gillette men's and women's disposable razor packages to promote the 1995 NCAA Men's and Women's Basketball Tournaments.

◂ Sprint launched **several major image campaigns for specific ethnic markets in 1994.** One incorporated the legendary Monkey King in marketing, advertising and community relations programs directed to U.S. Chinese-American communities.

▴ Thanks to **new government regulation**, consumers will soon have the choice to use their own long distance company on any pay telephone. Sprint will benefit from a more level competitive playing field.

In the highly competitive long distance industry, Sprint posted strong gains during 1994, topping 1993's record-setting performance in both revenues and operating income. Our minutes of use also grew faster than that of the industry overall, indicating strong customer acceptance of our products and services.

For the year, the long distance division's operating income rose 21 percent, to $605 million, on an 11 percent increase in revenues, to $6.81 billion. Operating margins also improved to 8.9 percent, from 8.2 percent in 1993. Driving this strong performance were key international, data and "800" service markets, each of which grew at better than a 20 percent rate.

In the fourth quarter, our string of nine consecutive quarters of increased long distance operating income was interrupted, a decline primarily driven by intense competition in the long distance marketplace. We have responded with new product introductions, marketing initiatives, process and productivity improvements, and investments in new technology.

SPRINT'S LONG DISTANCE CALLING VOLUME GREW FASTER THAN THAT OF THE INDUSTRY OVERALL. FOR THE YEAR, THE DIVISION'S OPERATING INCOME ROSE 21 PERCENT AND REVENUE INCREASED 11 PERCENT.

To break through the confusing array of long distance pricing plans that confront consumers, Sprint introduced revolutionary new products and services that markedly differentiate

• LONG DISTANCE 1994 YEAR IN REVIEW continued •

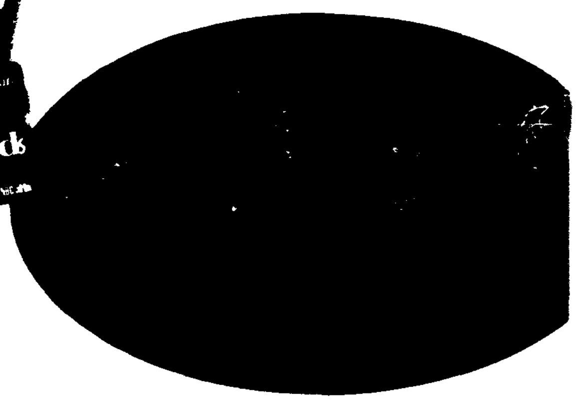
▶ Teleport Communications Group (TCG) – a key component of Sprint's partnership with three leading cable companies – is **the nation's largest competitive access provider**. The relationship with Teleport will help Sprint reduce its long distance access costs.

MEXICANA
America West Airlines
Alaska Airlines
virgin atlantic
LOT
AIR-INDIA
AIR FRANCE
TWA

◀ Five international airline carriers – Air France, Air India, LOT Polish Airlines, Mexicana Airlines and Virgin Atlantic Airways – are participating in **Sprint's new international travel rewards program.** Sprint also sponsors frequent flier programs with America West Airlines, Alaska Airlines and TWA.

▲ *George Mattingly*, right, of First Union Corporation in Charlotte, N.C., and *Carol Dempsey*, second from right, of CDP Imaging Systems in Minneapolis, **visit Sprint's technology lab in Burlingame, Calif.**, for a briefing from Sprint's *Terry Kero*, left, and *Sue Sentell*.

▲ The NBC network used a unique tool to promote all of its new television series for the 1994 Fall Season: collector-item prepaid long distance telephone cards from Sprint.



▲ Sprint's ability to deliver global data, voice and video services makes the company the ideal choice to become **the carriers' carrier**, providing international transport services for other carriers.

us from our competitors.

Sprint Sense℠, which was launched in early 1995, is a dynamic product that is rapidly generating customer appeal by combining simplicity with the savings consumers seek. Sprint Sense customers pay just 10 cents a minute on their long distance calls after 7 p.m. and all weekend long – the periods when residential costumers make three-fourths of their long distance calls.

Targeted to a variety of ethnic markets, the Sprint Worldwide℠ global calling plan provides unrestricted savings on all calls: domestic or international, placed any time of day, whether direct-dialed or operator-assisted, including calling card and collect calls.

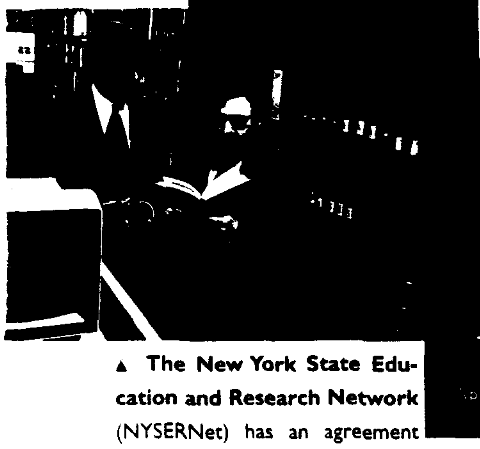
Another solid success is the Sprint Instant FŌNCARD® – a prepaid card which lets callers purchase long distance service in $5, $10 and $20 denominations. The prepaid cards, which can be used at virtually any telephone for domestic or international long distance calls, are now available at over 4,500 retail outlets across the U.S.

A number of targeted marketing programs including Real Solutions℠ were introduced in 1994 to help us reach and retain business customers. In the residential marketplace, Sprint's Consumer Services Group continued to deliver

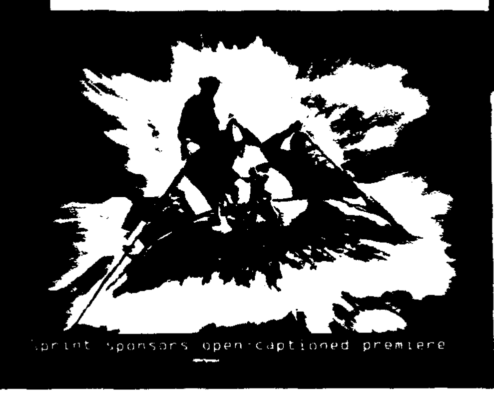
IN 1994, WE BEGAN INSTALLING OUR SYNCHRONOUS OPTICAL NETWORK (SONET), AND WE EXPANDED OUR ASYNCHRONOUS TRANSFER MODE (ATM) NETWORK. THESE TECHNOLOGIES SUPPORT ADVANCED MULTIMEDIA APPLICATIONS.

◄ Wireless data helps *Frances Marshall-Brim* keep pace with the **Chicago Board of Trade.** Sprint's Business Services Group major account manager uses a laptop computer to support the world's leading futures exchange. "Every second is money," she says.

▲ How do you **edit a major movie in simultaneous real-time situations** in Los Angeles and New York? With the technological combination of Silicon Graphics and Sprint. In New York are *Robert Greenberg*, left (standing), CEO of RGA Digital Studios, and Sprint executive *Tom Weigman*, right (standing).



▲ **The New York State Education and Research Network** (NYSERNet) has an agreement with Sprint to upgrade its network. *Dr. Richard Mandelbaum*, right, president of NYSERNet and director-telecommunications at Polytechnic University in Brooklyn, N.Y., consults with Sprint's *Howard McRae*.



▲ **Sprint and Gallaudet University co-sponsored the open-captioned premiere of the movie, "A River Wild,"** in 1994 at Union Station Theater in Washington, D.C. Sprint is the world's largest provider of telecommunications relay service (TRS).

◄ Sprint joined with the International Reading Association and the United Nations Educational, Scientific and Cultural Organization (UNESCO) to sponsor **International Literacy Day**. The event featured an international videoconference between UNESCO's Paris headquarters and Washington, D.C.

exceptional customer satisfaction with innovative and exclusive long distance products and services for USAA (United Services Automobile Association). The San Antonio-based company, which ranks at the forefront of insurance and financial services organizations worldwide, shares Sprint's intense commitment to quality and technology.

Sprint also enhanced its capacity to support sophisticated applications aimed at the data services market, where we hold an industry-leading share of the data delivery business. The construction of Sprint's 100 percent digital, fiber network in the mid-1980s set a standard that forced others in the industry to play catch-up. In 1994, we raised the bar again.

We began installing our Synchronous Optical Network (SONET), and expanded our Asynchronous Transfer Mode (ATM) network. The integration of SONET equipment with a network architecture of bi-directional fiber-optic "rings" is unique to Sprint. When the first phase is fully deployed nationwide in 1996, this technological platform will ensure superior survivability, with restoration times measured in milliseconds, instead of minutes or hours. As a result, service disruptions will be essentially transparent to customers. No other carrier will be within several orders of magnitude of such restoration times.

These high-speed technologies are adding vast capacity to Sprint's network as the demand for multimedia services begins to grow. Sprint's leadership is contributing to our ability to serve the sophisticated needs of such customers as Hughes Aircraft, Amoco and the U.S. government.

Continued growth in international revenues and minutes of use also contributed to Sprint's strong results in 1994. During the year, we announced an agreement in principle to partner with Telmex in developing network links between the U.S. and Mexico. When formed, this partnership will complement the alliance we formed in 1993 to market Sprint long distance services in Canada. Together, these ventures have solidified Sprint's North American strategy.

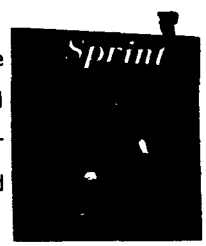
To further expand our presence in continental Europe, we entered a new joint venture in Poland in 1994. Our 25 percent stake in a local telephone and cable television network there will give Sprint an additional opportunity to showcase our technological capabilities internationally.

The long distance division also continued to focus on customer service and quality improvements in 1994. Since the third quarter of 1992, the division's Sprint Quality initiative has identified significant operating cost and access fee savings.

• LONG DISTANCE OUTLOOK

In an industry undergoing rapid and profound change, we believe the Sprint name and brand image is a highly valuable asset. We have invested more than $1 billion over the past 10 years in building the Sprint name to where today it is highly recognized and favorably received by the marketplace, and stands as one of only three national telecommunications brands.

Our challenge is to leverage this formidable brand position to create substantial new business opportunities. To accomplish that goal, the long distance division will focus on several specific initiatives:



INTEGRATED SERVICE OFFERING Our joint venture with TCI, Comcast and Cox provides Sprint with substantial new opportunities to market our services as the only major company capable of packaging long distance, wireless and local service (including cable TV).

BROADBAND DATA SERVICES As the first carrier to introduce high-capacity services like Asynchronous Transfer Mode (ATM), Sprint enhanced its reputation as the innovator in data communications. Our focus on cutting-edge technology will continue, with a long-term goal of making Sprint the first choice for broadband network services – both in North America and around the globe.

CUSTOMER SATISFACTION Currently considered a leading company in overall customer satisfaction in the consumer market, Sprint will use quality improvement initiatives to widen our competitive advantage by offering targeted service packages, enhanced billing options and highly responsive levels of customer service.

PARTNERSHIPS The proposed global partnership of Sprint, Deutsche Telekom and France Telecom is the most exciting partnership to be discussed in the international marketplace. As envisioned, the transaction would give Sprint added financial and marketing power to further leverage our technological and innovative superiority in the U.S. and around the world.

LOCAL

Sprint will become the nation's first telephone company to carry Sega Channel's interactive game service when Sprint/Carolina Telephone offers the program through televisions in about 1,000 Wake Forest, N.C., homes by mid-year 1995. Sega Channel provides Sega Genesis video games-on-demand, 24 hours a day.

Sprint/Central Telephone-Nevada has built Advanced Intelligent Network capacity into its Las Vegas network. Kelley Ferrence, standing, director-Central Office engineering, and customer service representative Pat Johnson are helping the company introduce four new services in 1995: Voice Activated Dialing, Personal Number Service, Reminder Service and Audible Calling Name.

ADVANCED INTELLIGENT NETWORK

Sprint's local division brings face-to-face communications to computer terminals with desktop videoconferencing.

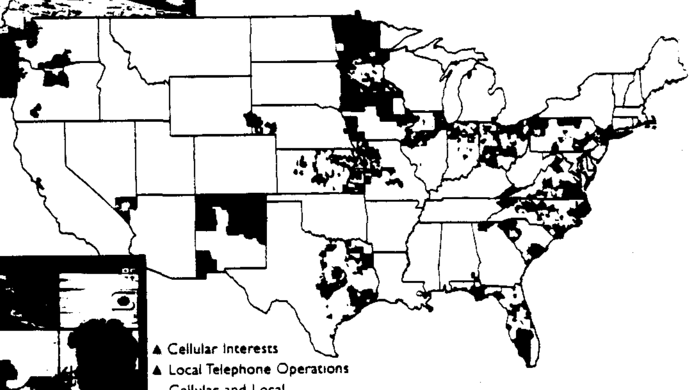
BRIDGING THE **local** NETWORK TO THE **international** *marketplace*

LOCAL 1994 YEAR IN REVIEW

◄ Sprint's existing telephone companies and the corporation's venture with cable TV will offer a host of **new consumer and business applications** as voice, video, data and entertainment services converge.

▲ *Jim Kostreba*, left, sheriff of Stearns County, Minn., and St. Cloud, Minn., Chief of Police *Dennis O'Keefe* **use one of the most sophisticated law enforcement networks in the country.** The city and the county selected Sprint/United Telephone-Midwest to integrate their wireless and wireline information systems.

▲ Sprint partner Comcast Corporation, based in Philadelphia, will be among the companies **upgrading its network** to meet standards needed for telephone service.



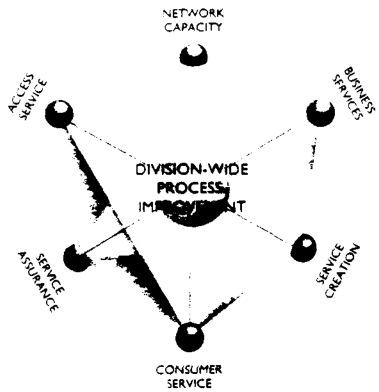
▲ Sprint provides **local telephone service** through more than 6.4 million customer lines in 19 states. More than 97 percent of Sprint's local customers are served by digital technology.

Sprint's local division is a leader in shaping the future of local telecommunications. For example, Sprint is one of the network managers for the North Carolina Information Highway, which has attracted nationwide attention as a model high-capacity broadband network. The network will soon allow schools, hospitals, libraries, government agencies and other users to communicate not just by voice and fax but through two-way, full-motion video. In a separate initiative, Sprint's local operating company in North Carolina also is conducting a broadband, interactive network trial in the city of Wake Forest. The project will bring various interactive services to televisions and computers in 1,000 homes.

Leadership in delivering broadband communications services is just one of many ways in which Sprint's local division distinguished itself during the year.

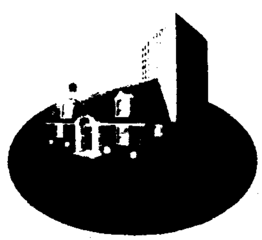
THE LOCAL DIVISION'S STRONG PERFORMANCE WAS DRIVEN BY A HEALTHY 4.8 PERCENT INCREASE IN ACCESS LINES SOLD, BY BRISK CUSTOMER DEMAND FOR NEW SERVICES, AND BY EFFICIENCIES ACHIEVED FOLLOWING OUR MERGER WITH CENTEL.

Sprint's financial accomplishments were equally impressive. Revenues from our local telephone operations increased 7 percent in 1994, to $4.41 billion – a rate of growth that was the best in the industry. Operating income also grew 7 percent, to $1.02 billion, exceeding the billion-dollar mark for the first time. This strong performance was driven by a healthy



▲ Already one of the most efficient operations in the country, Sprint's local division launched **six major process improvement efforts** in 1994 – in business service, consumer service, service creation, service assurance, network capacity and access service.

▲ Sprint/United Telephone-Florida has installed a **Community Health Information Network** for Naples Community Hospital. *Dr. Phillip Francis* can access patient information using the advanced data network designed by Sprint project leader *Bob Busching* and administered by *Sallie Williams*, vice president and chief information officer of the Naples Community Healthcare System.



▲ Sprint's **local division is conducting trials** which will lead to such services as movies-on-demand, interactive games, home shopping, work-at-home applications and access to health service providers.

▼ Schools in rural North Carolina are using **distance learning** made possible by the North Carolina Information Highway and Sprint's local division. *Janet Ward* teaches students at St. Stephens High School, while students at Bunker Hill High School participate using interactive video.

4.8 percent increase in access lines sold, by brisk customer demand for new services and by efficiencies gained following the addition of Centel's local telephone properties.

Sprint's local division is focusing on four key areas:

REGULATION

Sprint is seeking changes in price regulation which is now imposed by public utility commissions. In addition, we are aggressively working with regulators to promote competition in the local telephone market.

MORE THAN 97 PERCENT OF SPRINT'S LOCAL CUSTOMERS ARE SERVED BY DIGITAL SWITCHING TODAY. WE INVESTED OVER $900 MILLION TO UPGRADE OUR LOCAL NETWORKS IN 1994, ENHANCING OUR ABILITY TO PROVIDE ADVANCED NETWORK FEATURES.

NEW, VALUE-ADDED SERVICES

In cities like Las Vegas, Sprint's high-capacity fiber-optic "backbone" network lets us offer a range of services beyond voice transmission. These services will include credit card/banking transactions, hotel room reservations and video sporting events.

IMPROVED NETWORK CAPACITY AND QUALITY

More than 97 percent of Sprint's local customers are served by digital switching today. We invested over $900 million to upgrade our local networks in 1994, and we will continue this aggressive effort to ensure that our facilities can deliver the advanced network features tomorrow's customers will demand.

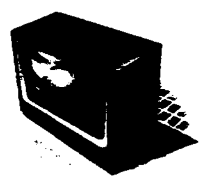
INCREASED OPERATING EFFICIENCIES

Sprint launched a formal process improvement initiative during 1994 designed to increase efficiency and to improve customer satisfaction throughout our local operations. This initiative has already identified significant ways to improve the division's major functions – including a number of processes related to network capacity, access service and business and customer service.

LOCAL OUTLOOK

Competition in the local exchange will stimulate extraordinary change and growth opportunities in the last half of the decade.

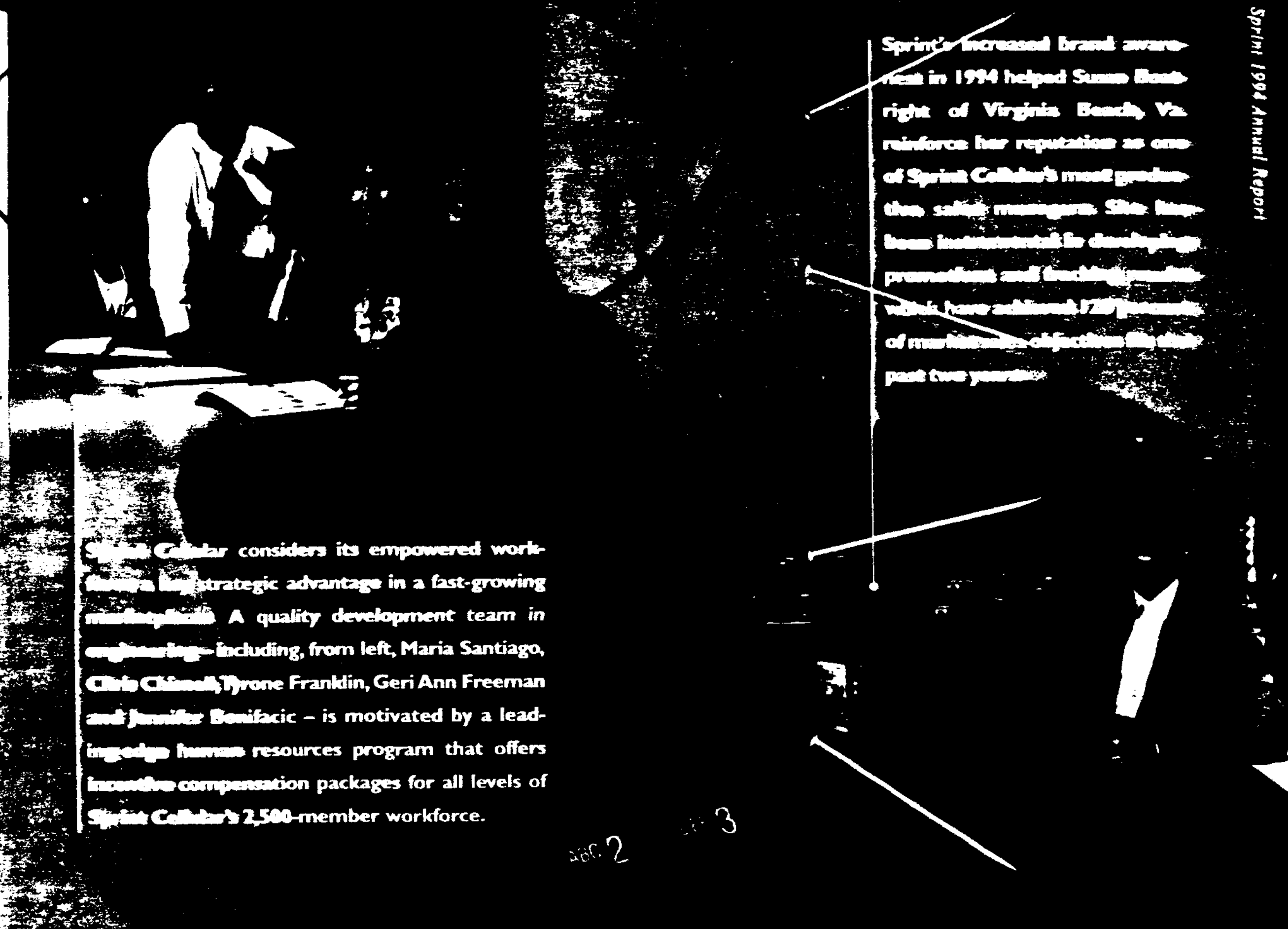
Sprint is preparing to seize new opportunities – first, by pursuing regulatory policies that promise a level playing field for all local access providers; and second, by continuing to invest in our local networks so that they are capable of delivering tomorrow's high-speed, high-capacity services.



The North Carolina Information Highway is one example of that strategy in action. It will allow Sprint to offer a new generation of services, such as distance learning, telemedicine, home banking and movies-on-demand.

Another example is the Advanced Intelligent Network (AIN) capacity we have built into our Las Vegas network. It will enable us to introduce four new services in 1995: Voice Activated Dialing, Personal Number Service, Reminder Service and Audible Calling Name. Many more services will follow as we expand new offerings throughout our 19-state area.

Sprint's alliance with three leading cable television companies should create new opportunities for local division employees whose skills will be valuable to the venture. In addition, we will have access to the technical and marketing skills of our cable partners. These synergies boil down to a tremendous growth opportunity for our local division business as it moves into cable and broadband-related services.



Sprint Cellular considers its empowered workforce a key strategic advantage in a fast-growing marketplace. A quality development team in engineering – including, from left, Maria Santiago, Chris Chinnell, Tyrone Franklin, Geri Ann Freeman and Jennifer Bonifacic – is motivated by a leading-edge human resources program that offers incentive compensation packages for all levels of Sprint Cellular's 2,500-member workforce.

Sprint's increased brand awareness in 1994 helped Susan Boatright of Virginia Beach, Va. reinforce her reputation as one of Sprint Cellular's most productive sales managers. She has been instrumental in developing promotions and tracking results which have achieved 120 percent of marketing objectives for the past two years.

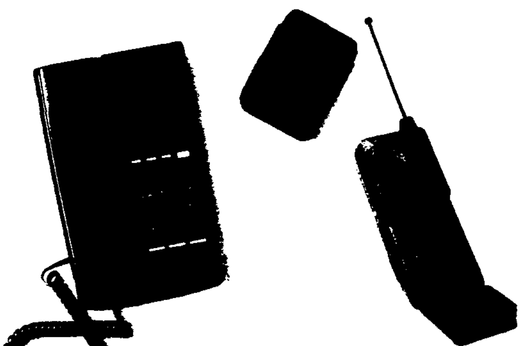
INCREASE BRAND AWARENESS

Sprint Cellular will be a key source of talent and expertise necessary to launch Sprint and its cable TV partners' combined wireless initiatives. Sprint Cellular has built a reputation as a formidable regional competitor, and its participation in the joint venture will catapult the company as a national player with a powerful national brand name.

KEEPING customers IN TOUCH — anytime, anywhere

• CELLULAR AND WIRELESS 1994 YEAR IN REVIEW •

▼ Cellular customers in Las Vegas helped Sprint test a **personal communications service called FutureLink[SM]**. It allows customers to communicate via a single personal telephone number from their office, their home, or while traveling with a light-weight pocket telephone.



▲ In 1994, Sprint Cellular expanded its distribution channels and **negotiated non-traditional dealer agreements** with national retailers, such as this Sam's Club in Las Vegas. Sprint sales representatives *Valerie Whitsett* and *Greg Egloff* enjoy brisk day-to-day walk-up business activity.

▲ American Personal Communications (APC), which operates in the Washington, D.C. and Baltimore areas, is the **first wireless affiliate** of the Sprint/cable TV venture.

► Sprint is an investor in the **international Iridium consortium,** which will provide global wireless service through a constellation of 66 satellites in low-earth orbit.

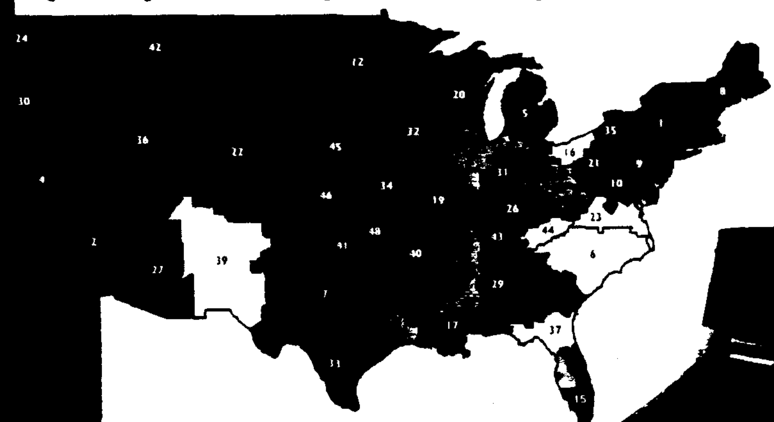
Strong customer growth catapulted Sprint's cellular and wireless division to new heights in terms of customers, penetration, revenue and operating income during the past year. In December, Sprint Cellular reached the one million customer milestone, and market penetration surpassed the 5 percent level, well ahead of the industry average. We also expanded our geographic footprint by activating more than 225 new cell sites – a record number for the division.

It took Sprint's cellular and wireless division eight years to reach its first half million customers and just 18 months to double its size, closing the year with more than 1 million customers. These achievements place Sprint squarely among the leaders in the industry's fastest-growing segment and position us for greater gains in the years ahead. Sprint now ranks as the eighth-largest cellular company in the U.S., with more customers than the cellular operations of two Regional Bell Operating Companies.

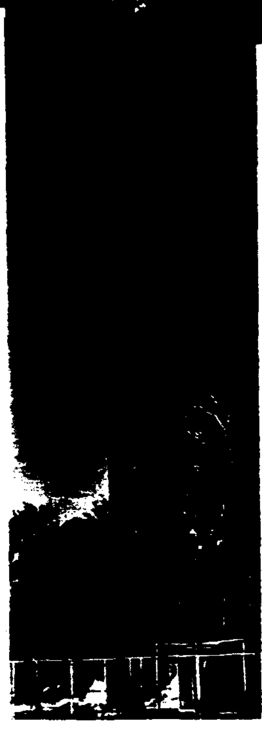
> **IT TOOK SPRINT CELLULAR EIGHT YEARS TO REACH ITS FIRST HALF MILLION CUSTOMERS AND JUST 18 MONTHS TO DOUBLE ITS SIZE, CLOSING THE YEAR WITH MORE THAN 1 MILLION CUSTOMERS.**

Expanded sales distribution channels and a competitive cost structure contributed to the profitable growth. Operating income surged to $86 million in 1994 – a three-fold improvement over the previous year's results –

◄ ▼ The Sprint/cable joint venture participated aggressively in the **FCC's auction for Personal Communications Services** (PCS) licenses. Sprint's carefully conceived investment in PCS will enable the Sprint/cable joint venture to provide truly national service. *Gary Forsee*, left, standing, the interim CEO for the project, led Sprint's PCS efforts. Also playing key roles were *Tom Mateer*, right, standing; *Don Goldman*, sitting, left; and *Bill Rector*, foreground.



As of March 7, 1995 through round 103 of FCC auction.



◄ During the year, Sprint Cellular **constructed more than 225 new cell sites** to support strong customer growth, improve portable service and expand coverage. To maintain aesthetic balance in our communities, Sprint Cellular believes in creative tower solutions, such as this recently constructed tower in Charleston, S.C., which was built to resemble a pine tree with branches.

▲ As part of its leadership in wireless data applications, Sprint **has introduced Cellular Digital Packet Data** (CDPD). A special national cellular data team oversees the company's development of wireless data transmission.

on a 51 percent increase in revenue, to $702 million. This record-setting performance in 1994 underscores Sprint's ability to market wireless services. A remarkable 158,000 new customers were added in the fourth quarter alone.

By year's end, our market penetration stood at 5.4 percent – more than double the penetration level of just two years ago. In our Las Vegas market, we put Sprint Cellular service in the hands of more than 10 percent of potential customers, posting the highest penetration rate of any cellular carrier in any U.S. city.

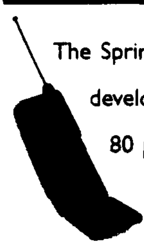
Today, Sprint operates cellular systems in 87 metropolitan and rural service areas, and it has ownership interest in 53 other markets. These franchises represent a combined market of more than 20 million potential customers, adjusted for ownership, giving Sprint excellent prospects for growth through continued market penetration. In 1994, we worked to capitalize on this potential by making Sprint Cellular service available through new and diversified marketing channels. These include major retailers, such as Office Depot, Sam's Club, Sears and Radio Shack, as well as the company's own retail stores, which optimize color, floor space and design in order to merchandise and sell service based on lifestyle needs.

SPRINT CELLULAR IS LARGER THAN THE CELLULAR OPERATIONS OF TWO BELL COMPANIES. AT YEAR-END, MARKET PENETRATION STOOD AT 5.4 PERCENT, WELL AHEAD OF THE INDUSTRY AVERAGE AND MORE THAN DOUBLE OUR PENETRATION LEVEL OF JUST TWO YEARS AGO.

To keep pace with our growth and customer demand for new products and services, Sprint Cellular selected high-growth areas for cell site construction and deployed Narrowband Advanced Mobile Phone Service (N-AMPS). A digitally enhanced technology, N-AMPS triples our call-handling capacity and allows us to introduce new PCS-like services. Sprint Cellular will use N-AMPS as an interim technology until an advanced digital technology is deployed.

The digital technology Sprint Cellular is awaiting is Code Division Multiple Access (CDMA). In 1994, Sprint announced it will become one of the nation's first cellular carriers to debut CDMA. It will be deployed in Las Vegas in 1995. CDMA promises a 10-fold increase in call-handling capacity, while also enhancing the transmission quality and the privacy of calls placed over cellular phones.

• CELLULAR AND WIRELESS OUTLOOK



The Sprint brand name represents a key strategic asset in the long-term development of our wireless business. Recognized by more than 80 percent of U.S. consumers, the Sprint name simplifies the task of building a national wireless network by significantly reducing the cost to market the service on a nationwide basis.

Access to customers is an equally important component of our wireless strategy. Through the joint venture with our cable partners, we expect to create a national footprint by acquiring Personal Communications Service (PCS) licenses and by negotiating affiliation agreements with the license holders in key markets where the venture otherwise would not have a presence.

Another crucial component of Sprint's wireless strategy is cutting-edge technology. Sprint Cellular is now working with other Sprint divisions to develop integrated communications services. One example is FutureLink℠, a "personal number" service that keeps customers in touch through a single phone number for home, office or travel. FutureLink was tested in Las Vegas during 1994, and we plan commercial deployment this year.

Increased sales to Sprint's local telephone operations and to non-affiliated companies contributed to growth in revenues and operating income for Sprint/North Supply in 1994.

One of the nation's largest distributors of communications equipment, Sprint/North Supply is further diversifying its customer base with a solutions-oriented strategic marketing approach, focusing on such high-growth areas as data, video and cable TV. Sprint/North Supply has developed value-added services designed to help customers realize the full benefit of voice, video and data products distributed by the company.

SPRINT/NORTH SUPPLY'S SOLUTIONS-ORIENTED MARKETING HELPS CUSTOMERS REALIZE THE FULL BENEFITS OF VOICE, VIDEO AND DATA PRODUCTS DISTRIBUTED BY THE COMPANY.

A market-driven, customer segmentation program is further differentiating Sprint/North Supply's customer service, while helping the company target high-margin market opportunities. Added revenues also have been generated through cross-marketing relationships with other Sprint business units.

OUTLOOK

A comprehensive systems modernization and business process improvement program is strengthening Sprint/North Supply's position in existing and emerging distribution markets.

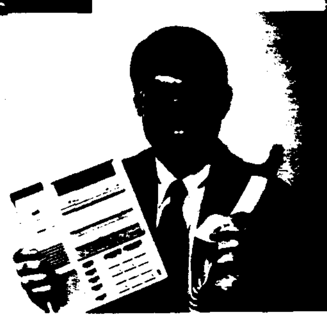
Sprint/North Supply will continue to expand its service to the cable television market as the Sprint/cable joint venture and other cable operators upgrade their systems for competitive local telephone service.

A growing outsourcing trend for materials management services also is providing expanded opportunities to manage distribution operations for manufacturers and retailers.

PRODUCT DISTRIBUTION 1994 YEAR IN REVIEW

◄ Exceptional customer satisfaction is the daily goal of *Ken Oliveira*, manager for Sprint/North Supply's distribution center in Ontario, California. Sprint/North Supply has received **Pacific Bell's prestigious Excellence in Quality Award** for three consecutive years.

◄ Atlanta-based **Cox Communications** uses Sprint/North Supply products in cable systems in the Southeast U.S. Sprint/North Supply's *LaMont Eanes* meets with *Gary Cassard* of Cox in Ocala, Florida.



▲ When Sprint/North Supply developed a phone with the Sprint logo, Sprint/Mid-Atlantic marketed the product in North Carolina, Virginia, South Carolina and Tennessee. *Bob Culler* led **a campaign that sold or leased 65,000 Sprint Flair™ phones.**

▲ *Cathy Boyd*, standing, spearheaded **a strategic business plan** that helped Sprint/North Supply diversify its customer base. The plan received input from all levels of employees, including, from left, *Robin Oberle*, *Bill Byers* and *Neal Brockschmidt*.

▲ Products marketed by Sprint/North Supply must meet **rigorous standards**. Here, *Mark Raney* and *Jennifer Stilgenbauer* test a new cordless telephone.

Paced by exceptional results in its Chicago and Sprint/Centel markets, Sprint's directory publishing company increased revenues in 1994.

Sprint Publishing & Advertising continued to build on its position as the nation's 10th largest Yellow Pages publisher. Following Sprint's merger with Centel in 1993, the company introduced the Sprint brand into local telephone markets served by Sprint/Centel. Through new contractual arrangements, Sprint Publishing is now leveraging its brand name in the growing central Florida market.

THROUGH NEW CONTRACTUAL AGREEMENTS IN 1994, SPRINT IS LEVERAGING ITS BRAND NAME IN THE GROWING CENTRAL FLORIDA MARKET.

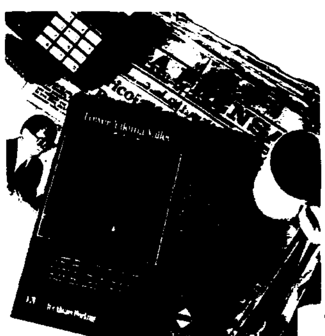
In 1994, Sprint Publishing achieved greater customer satisfaction through the consolidation of production facilities and the implementation of an advanced contract processing system.

In addition, value to Yellow Pages advertisers is being added through enhanced color and other new features.

OUTLOOK

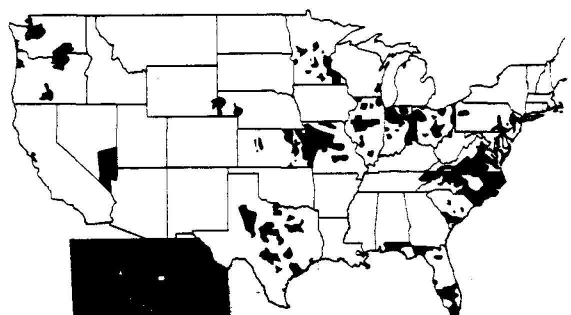
Sprint Publishing & Advertising's state-of-the-art information and production systems will enable the company to serve customers on a nationwide scale. As Sprint and its cable partners enter newly competitive local telephone markets, Sprint Publishing is prepared to serve businesses in those markets with high-quality advertising opportunities, provided through Sprint branded directories, as well as specialty publications. The company is also expanding its market research and telemarketing services.

DIRECTORY PUBLISHING 1994 YEAR IN REVIEW



◄ Sprint Publishing & Advertising completed its **first Spanish Yellow Pages section** in 1994 with the publication of the **Lower Yakima Valley** *directory* (circulation: 48,000) in Washington state.

▼ Sprint Publishing & Advertising and Sprint/Centel Directory Company collectively publish **335 telephone directories with a circulation of 16.1 million** in 20 states.



▲ In 1994, Sprint Publishing & Advertising began **consolidating its nationwide production facilities to Bristol, Tenn.** Reduced costs, more efficient production and improved turnaround time are being achieved in customer service, graphics, market preparation and order entry.

▲ Ten telephone directories produced by Sprint Publishing & Advertising in 1994 offered customers **enhanced color printing on Yellow Pages** to meet more sophisticated marketing goals and improve advertising revenues. The number of directories offering enhanced color is expected to triple in 1995.

FINANCIAL SECTION CONTENTS

CORPORATE INFORMATION

SELECTED FINANCIAL DATA

As of or for the Years Ended December 31, (in millions, except per share data)	1994	1993	1992	1991	1990
Results of Operations					
Net operating revenues	**$12,661.8**	$11,367.8	$10,420.3	$ 9,933.3	$ 9,469.8
Operating income[(1)]	**1,787.8**	1,250.6	1,213.4	1,185.6	1,045.3
Income from continuing operations[(1),(2),(3),(4)]	**883.7**	480.6	496.1	472.7	351.1
Earnings per common share from continuing operations[(1),(2),(3),(4)]	**2.53**	1.39	1.46	1.41	1.06
Dividends per common share	**1.00**	1.00	1.00	1.00	1.00
Financial Position					
Total assets	**$14,936.3**	$14,148.9	$13,599.6	$13,929.8	$14,080.6
Property, plant and equipment, net	**10,878.6**	10,314.8	10,219.9	10,310.5	10,295.2
Total debt (including short-term borrowings)	**4,937.2**	5,094.4	5,442.7	5,571.2	6,082.3
Redeemable preferred stock	**37.1**	38.6	40.2	56.6	60.0
Common stock and other shareholders' equity	**4,524.8**	3,918.3	3,971.6	3,671.9	3,353.5
Cash Flow Data					
Cash from operating activities	**$ 2,472.0**	$ 2,112.4	$ 2,250.6	$ 1,820.6	$ 1,324.5
Capital expenditures	**2,015.9**	1,594.7	1,466.2	1,523.2	1,868.9
Free cash flow[(5)]	**106.7**	170.6	184.3	1.6	(833.4)

(1) During 1993, nonrecurring charges of $293 million were recorded related to (a) transaction costs associated with the merger with Centel and the expenses of integrating and restructuring the operations of the two companies and (b) a realignment and restructuring within the long distance division. Such charges reduced consolidated 1993 income from continuing operations by $193 million ($0.56 per share).

During 1990, nonrecurring charges of $72 million were recorded related to the long distance division, which reduced consolidated 1990 income from continuing operations by $37 million ($0.11 per share).

(2) During 1992 and 1991, gains were recognized related to the sales of certain local telephone and cellular properties, which increased consolidated 1992 income from continuing operations by $44 million ($0.13 per share) and consolidated 1991 income from continuing operations by $78 million ($0.23 per share).

(3) During 1994, Sprint sold an investment in equity securities, realizing a gain of $35 million, which increased consolidated 1994 income from continuing operations by $22 million ($0.06 per share).

(4) During 1993, as a result of the enactment of the Revenue Reconciliation Act of 1993, Sprint was required to adjust its deferred income tax assets and liabilities to reflect the increased tax rate. Such adjustment reduced consolidated 1993 income from continuing operations by $13 million ($0.04 per share).

(5) Free cash flow represents cash from operating activities less capital expenditures and dividends paid. Such amount for 1992 excludes the additional proceeds from the sale of accounts receivable of $300 million.

REVIEW OF CONSOLIDATED RESULTS OF OPERATIONS

Strategic Developments

On October 25, 1994, Sprint Corporation (Sprint), along with Tele-Communications Inc. (TCI), Comcast Corporation (Comcast) and Cox Communications (Cox), announced the formation of a venture that will provide wireless communications services and local telephone services on a broad geographic basis within the United States. The joint venture will be owned 40 percent by Sprint, 30 percent by TCI and 15 percent each by Comcast and Cox. The parties have signed definitive agreements and created partnerships which are bidding for Personal Communications Services (PCS) licenses being auctioned by the Federal Communications Commission (FCC). The parties have also entered into a joint venture formation agreement, which provides the basis upon which they are developing definitive agreements for their local telephone activities.

On June 14, 1994, Sprint announced that it had entered into a Memorandum of Understanding (the MOU) with Deutsche Telekom and France Telecom to form a global partnership which would offer telecommunications services to business, consumer and carrier markets worldwide. The MOU provided that Deutsche Telekom and France Telecom together would purchase approximately 42.9 million shares of a new class of Sprint common stock at a price of $47.225 per share. The MOU further provided that Deutsche Telekom and France Telecom would also purchase approximately 42.9 million shares of the new class of Sprint common stock at a price of $51.00 per share two years after the initial acquisition. As part of the transaction, Deutsche Telekom and France Telecom would be entitled to representation on Sprint's board. This representation would be based on their actual percentage ownership interest, with a minimum of two directors serving on Sprint's board so long as the two companies own at least 10 percent of the outstanding common stock of Sprint, subject to the approval of the New York Stock Exchange. The formation of the partnership and the acquisition of Sprint stock are subject to conditions, including the negotiation and execution of definitive agreements. The terms in these definitive agreements, including terms relating to the financial investment by Deutsche Telekom and France Telecom, could differ in material respects from those in the MOU. Also, there can be no assurance that definitive agreements will be reached. Other contingencies to the transaction include the approval by Sprint's board of directors and its shareholders, approval by the governing bodies of Deutsche Telekom and France Telecom, and governmental and regulatory approvals.

Sprint/Centel Merger

Effective March 9, 1993, Sprint consummated its merger with Centel Corporation (Centel), creating a diversified telecommunications enterprise with operations in long distance, local exchange, and cellular and wireless communications services. The merger was accounted for in 1993 as a pooling of interests.

Results of Operations

Consolidated

Each of Sprint's primary divisions – long distance, local exchange, and cellular and wireless communications services – generated record levels of net operating revenues and improved operating results in 1994. The long distance division generated a solid 11 percent growth in traffic volumes in 1994, the number of access lines served by the local division grew 4.8 percent, and the cellular and wireless division benefited from a strong 59 percent growth in cellular subscribers.

Total net operating revenues for the year ended December 31, 1994 were $12.66 billion, an 11 percent increase over net operating revenues of $11.37 billion for 1993. Total net operating revenues for the year ended December 31, 1992 were $10.42 billion. For the year ended December 31, 1994, income from continuing operations was $884 million, or $2.53 per share, compared with $481 million, or $1.39 per share, for 1993 and $496 million, or $1.46 per share, for 1992. Income from continuing operations for the year ended December 31, 1994 included a gain related to the sale of an investment in equity securities ($0.06 per share). Income from continuing operations for the year ended December 31, 1993 included charges related to the merger and integration costs associated with the Centel merger and the realignment and restructuring of Sprint's long distance division ($0.56 per share) and a charge associated with the enactment of the Revenue Reconciliation Act of 1993 ($0.04 per share). Income from continuing operations for the year ended December 31, 1992 included a gain related to the sale of certain telephone properties ($0.13 per share).

Non-operating Items

Interest Expense

Interest expense totaled $398 million in 1994 compared to $452 million in 1993 and $511 million in 1992. These decreases generally reflect reductions in the average levels of debt outstanding as well as lower interest rates due to debt refinancings during 1993 and 1992. Sprint's average debt outstanding decreased $334 million and $596 million in 1994 and 1993, respectively, and the effective interest rate decreased 52 and 15 basis points, respectively.

Other Expense, Net

The components of other income (expense), are as follows:

For the Years Ended December 31, (in millions)	1994	1993	1992
Gain on sale of investment in equity securities	**$ 34.7**	$ —	$ —
Equity in earnings from cellular minority partnership interests	**21.6**	20.0	12.8
Loss on sales of accounts receivable	**(28.7)**	(22.0)	(17.7)
Minority interests	**(22.1)**	(9.4)	(6.1)
Other, net	**(13.2)**	(10.9)	6.0
Total other expense, net	**$ (7.7)**	$(22.3)	$ (5.0)

Income Tax Provision

Sprint's income tax provisions for 1994, 1993, and 1992 resulted in effective tax rates of 36 percent, 38 percent and 36 percent, respectively. During 1993, the Revenue Reconciliation Act of 1993 was enacted which, among other changes, raised the federal income tax rate to 35 percent from 34 percent. As a result, Sprint adjusted its deferred income tax assets and liabilities to reflect the revised rate. See Note 3 of Notes to Consolidated Financial Statements for additional information regarding the differences which cause the effective income tax rates to vary from the statutory federal income tax rates.

As of December 31, 1994, Sprint had recorded deferred income tax assets of $301 million related to postretirement benefits and other benefits, $93 million related to alternative minimum tax credit carryforwards, and $39 million (net of a $21 million valuation allowance) related to state operating loss carryforwards. Sprint's management has determined that it is more likely than not that these deferred income tax assets, net of the valuation allowance, will be realized based on current income tax laws and expectations of future taxable income stemming from the reversal of existing deferred tax liabilities or ordinary operations. Uncertainties surrounding income tax law changes, shifts in operations between state taxing jurisdictions, and future operating income levels may, however, affect the ultimate realization of all or some portion of these deferred income tax assets.

Discontinued Operations and Extraordinary Losses

For the year ended December 31, 1994, Sprint recognized $7 million of income associated with the settlement of matters related to a discontinued operation. During 1993, Sprint incurred a loss from discontinued operations of $12 million, net of income tax benefits. In 1993 and 1992, Sprint incurred extraordinary losses related to the early extinguishments of debt of $29 million and $16 million, respectively, net of related income tax benefits.

Accounting Changes

Effective January 1, 1993, Sprint changed its method of accounting for postretirement and postemployment benefits by adopting Statements of Financial Accounting Standards (SFAS) No. 106 and No. 112 and effected another accounting change. The cumulative effect of these changes in accounting principles reduced 1993 net income by $384 million. Effective January 1, 1992, Sprint also changed its method of accounting for income taxes by adopting SFAS No. 109. The cumulative effect of this change in accounting principle increased 1992 net income by $23 million.

Inflation

The effects of inflation on Sprint's operations were not significant during 1994, 1993 or 1992.

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31. (in millions, except per share data)	1994	1993	1992
Net Operating Revenues	**$12,661.8**	$11,367.8	$10,420.3
Operating Expenses			
Costs of services and products	**6,361.0**	5,736.1	5,325.5
Selling, general and administrative	**3,034.6**	2,729.9	2,489.9
Depreciation and amortization	**1,478.4**	1,358.7	1,391.5
Merger, integration and restructuring costs	—	292.5	—
Total operating expenses	**10,874.0**	10,117.2	9,206.9
Operating Income	**1,787.8**	1,250.6	1,213.4
Gain on divestiture of telephone properties	—	—	81.1
Interest expense	**(398.0)**	(452.4)	(511.1)
Other expense, net	**(7.7)**	(22.3)	(5.0)
Income from continuing operations before income taxes	**1,382.1**	775.9	778.4
Income tax provision	**(498.4)**	(295.3)	(282.3)
Income from Continuing Operations	**883.7**	480.6	496.1
Discontinued operations, net	**7.0**	(12.3)	—
Extraordinary losses on early extinguishments of debt, net	—	(29.2)	(16.0)
Cumulative effect of changes in accounting principles, net	—	(384.2)	22.7
Net income	**890.7**	54.9	502.8
Preferred stock dividends	**(2.7)**	(2.8)	(3.5)
Earnings applicable to common stock	**$ 888.0**	$ 52.1	$ 499.3
Earnings per Common Share			
Continuing operations	**$ 2.53**	$ 1.39	$ 1.46
Discontinued operations	**0.02**	(0.04)	—
Extraordinary item	—	(0.08)	(0.05)
Cumulative effect of changes in accounting principles	—	(1.12)	0.07
Total	**$ 2.55**	$ 0.15	$ 1.48
Weighted average number of common shares	**348.7**	343.7	337.2

See accompanying Notes to Consolidated Financial Statements.

REVIEW OF SEGMENTAL RESULTS OF OPERATIONS

Segmental Results of Operations

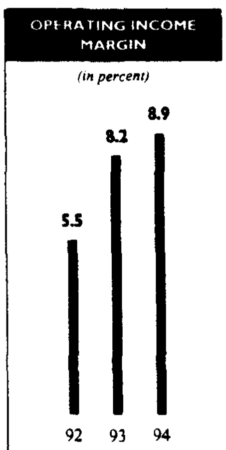
Long Distance Communications Services

For the Years Ended December 31, (in millions)	1994	1993	1992
Net operating revenues	**$6,805.1**	$6,139.2	$5,658.2
Operating expenses			
Interconnection	**2,994.5**	2,710.7	2,574.9
Operations	**925.4**	857.7	759.8
Selling, general and administrative	**1,729.9**	1,546.4	1,426.3
Depreciation and amortization	**550.5**	523.5	586.6
Merger, integration and restructuring costs	—	45.9	—
Total operating expenses	**6,200.3**	5,684.2	5,347.6
Operating income	**$ 604.8**	$ 455.0[1]	$ 310.6
Operating margin	**8.9%**	7.4%[1]	5.5%
Capital expenditures	**$ 774.1**	$ 529.4	$ 468.1
Identifiable assets as of December 31	**$4,538.7**	$4,193.1	$4,232.0

[1] Excluding the merger, integration and restructuring costs of $45.9 million, operating income and margin for 1993 would have been $500.9 million and 8.2 percent, respectively.

Sprint's long distance division provides domestic and international voice, video, and data communications services. Rates charged by the division for its services are subject to different levels of state and federal regulation, but are generally not rate-base regulated.

Net operating revenues increased 11 percent in 1994, following a 9 percent increase in 1993. Such increases were generally due to traffic volume growth of 11 percent and 8 percent, respectively. As a result of changes in product mix, average revenue per minute received from customers was relatively constant during 1994, 1993 and 1992. The increases in net operating revenues and traffic volumes in both 1994 and 1993 reflect ongoing growth in the international, business and residential markets. Growth in the international market during these periods reflects the division's continuing efforts to target new geographic markets. The business market continued to experience growth in the "800" services market. This growth was sparked by the May 1993 arrival of "800 portability," which enables customers to keep their advertised "800" numbers when changing long distance carriers. In 1994, revenue growth was also enhanced by solid performance in the data services market, which includes sales to consumer on-line services.



Margin for 1993 excludes the effects of nonrecurring items.

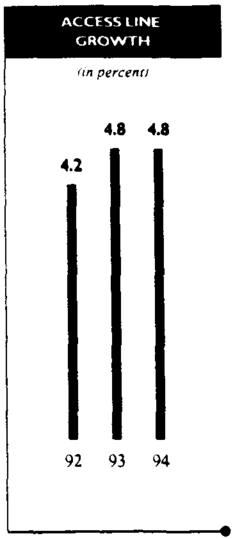
Interconnection costs consist of amounts paid to local exchange carriers, other domestic service providers, and foreign telephone companies for the completion of calls made by the division's customers. Interconnection costs increased in 1994 and 1993 primarily as a result of traffic volume growth; however, as a percentage of net operating revenues, interconnection costs decreased from 45.5 percent in 1992 to 44.2 percent and 44.0 percent in 1993 and 1994, respectively. These decreased percentages were primarily due to reductions in interconnection charges paid to local exchange companies, partially offset by increased costs related to settlements on international revenues.

Operations expense consists of costs related to operating and maintaining the long distance network; costs of providing various services such as operator services, public payphones, telecommunications services for the hearing impaired, and video teleconferencing; and costs of data systems sales. Operations expense increased $68 million in 1994 and $98 million in 1993, primarily due to expanded service offerings as well as providing services to new customers. The 1993 increase was also impacted by a change in accounting method whereby circuit activity costs are now being expensed when incurred (see Note 1 of Notes to Consolidated Financial Statements for additional information). Exclusive of the effect of this accounting change, 1993 operations expense increased $63 million.

Selling, general and administrative (SG&A) expense increased $184 million and $120 million in 1994 and 1993, respectively, generally reflecting the overall growth in the division's operating activities. As a percentage of net operating revenues, these expenses have remained at relatively stable levels, increasing slightly to 25.4 percent in 1994 from 25.2 percent in 1993 and 1992. In 1994, this increase was generally due to increased advertising expenses resulting from the ongoing sales and marketing efforts which are critical in the intensely competitive long distance marketplace.

Depreciation and amortization in 1994 increased $27 million compared to 1993, generally due to an increase in the asset base. Depreciation and amortization in 1993 decreased $63 million from 1992, primarily due to the change in accounting for circuit activity costs, as described above.

In the 1994 fourth quarter, the division broke its string of nine consecutive quarters of increased operating income. Fourth quarter 1994 operating income decreased $27 million from the 1994 third quarter. This decline in operating income was primarily driven by lower revenue yields and seasonally lower volumes in the business market. Fourth quarter net operating revenues also reflect intensified competition in the residential marketplace. The reduction in net operating revenues was partially offset by lower expense levels, which included revised estimates related to employee benefit and operating tax expenses. The division has implemented various actions to address this decline, including selective pricing actions, product introductions, marketing initiatives, and process and productivity improvements. The division's return to previous operating levels will depend upon the success of marketing efforts and the ability to maintain pricing strategies and gain market share in the intensely competitive long distance marketplace. A continued focus on cost containment and technology improvements should also contribute to improved results.



Local Communications Services

For the Years Ended December 31, (in millions)	1994	1993	1992
Net operating revenues			
Local service	**$1,752.3**	$1,624.3	$1,507.4
Network access	**1,598.4**	1,530.4	1,425.8
Toll service	**529.3**	505.3	487.5
Other	**532.8**	466.0	441.5
Total net operating revenues	**4,412.8**	4,126.0	3,862.2
Operating expenses			
Plant operations	**1,298.3**	1,206.7	1,165.6
Depreciation and amortization	**794.6**	733.0	720.0
Customer operations	**549.3**	532.4	473.7
Other	**748.7**	700.1	663.3
Merger and integration costs	**—**	190.1	—
Total operating expenses	**3,390.9**	3,362.3	3,022.6
Operating income	**$1,021.9**	$ 763.7[1]	$ 839.6
Operating margin	**23.2%**	18.5%[1]	21.7%
Capital expenditures	**$ 914.2**	$ 845.3	$ 839.4
Identifiable assets as of December 31	**$7,821.3**	$7,604.0	$7,242.2

[1] Excluding the merger and integration costs of $190.1 million, operating income and margin for 1993 would have been $953.8 million and 23.1 percent, respectively.

The local division consists principally of Sprint's rate-regulated, local exchange telephone operations.

Net operating revenues increased 7 percent in both 1994 and 1993. Increased local service revenues reflect continued increases in the number of access lines served and growth in add-on services, such as custom calling features. The division experienced a 4.8 percent growth in access lines during both 1994 and 1993. Network access revenues, derived from interexchange long distance carriers' use of the local network to complete calls, increased during 1994 and 1993 as a result of increased traffic volumes, partially offset by periodic reductions in network access rates charged. Also affecting the 1993 increase were additional revenues resulting from the recognition of a portion of the merger, integration and restructuring costs for regulatory purposes in certain jurisdictions. Toll service revenues, related to the provision of long distance services within specified geographical areas and the reselling of interexchange long distance services, increased 5 percent and 4 percent in 1994 and 1993, respectively. Other revenues, including revenues from directory publishing fees, billing and collection services, and sales of telecommunications equipment, increased in 1994 and 1993 generally due to growth in equipment sales.

Plant operations expense includes network operations costs; repair and maintenance costs of property, plant and equipment; and other costs associated with the provision of local exchange services. The 8 percent and 4 percent increases in such costs in 1994 and 1993, respectively, were primarily related to increases in the costs of providing services resulting from access line growth. Additionally, certain states have implemented revised toll plans requiring payment of access charges for calls terminating in the service areas of other local exchange carriers, resulting in increased plant operations expense. Increased expenditures related to switching system software associated with advanced calling features also contributed to the higher level of plant operations expense in 1994.

Depreciation and amortization expense increased $62 million in 1994, following a $13 million increase in 1993. These increases include the effects of depreciation rate changes, special short-term amortizations and nonrecurring charges approved by state regulatory commissions of $26 million and $7 million in

1994 and 1993, respectively. The remaining increases generally reflect plant additions.

Customer operations expense includes costs associated with business office operations and billing services, marketing costs, and expenses related to providing operator and directory assistance and other customer services. These costs increased 3 percent and 12 percent in 1994 and 1993, respectively. The 1993 increase was primarily due to increased marketing costs and increased systems development costs incurred to enhance the division's billing processes.

Other operating expense increased $49 million and $37 million in 1994 and 1993, respectively, primarily due to costs associated with the growth in equipment sales.

The 1993 increases in plant operations, customer operations and other operating expenses also reflect the impact of the increased postretirement benefits cost of approximately $38 million recognized as a result of the adoption of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The amounts of such benefits were generally consistent between 1993 and 1994.

Consistent with most local exchange carriers (LECs), the division accounts for the economic effects of regulation pursuant to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." The application of SFAS No. 71 requires the accounting recognition of the rate actions of regulators where appropriate, including the recognition of depreciation and amortization based on estimated useful lives prescribed by regulatory commissions rather than those that might be utilized by non-regulated enterprises. Sprint currently believes the division's rate-regulated operations meet the criteria for the continued application of the provisions of SFAS No. 71. However, the division operates in an evolving environment in which the regulatory framework is changing and the level and types of competition are increasing. Accordingly, Sprint constantly monitors and evaluates the ongoing applicability of SFAS No. 71 by assessing the likelihood that prices which provide for the recovery of specific costs can continue to be charged to customers. In the event Sprint determines that the division's rate-regulated operations no longer qualify for the application of the provisions of SFAS No. 71, Sprint would eliminate from its financial statements the effects of any actions of regulators that had been recognized as assets and liabilities. The resulting material noncash charge would be recorded as an extraordinary item. See Note 8 of Notes to Consolidated Financial Statements for information regarding the primary components and estimated amounts of regulatory assets and liabilities as of December 31, 1994.

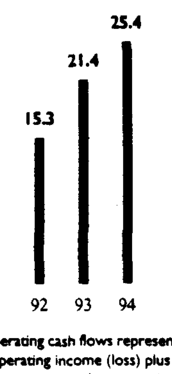
Cellular and Wireless Communications Services

For the Years Ended December 31, (in millions)	1994	1993	1992
Net operating revenues	**$ 701.8**	$ 464.0	$ 322.2
Operating expenses			
Cost of services and products	**233.2**	154.9	118.3
Selling, general and administrative	**290.6**	209.9	154.6
Depreciation and amortization	**92.4**	75.0	52.1
Merger and integration costs	**—**	3.2	—
Total operating expenses	**616.2**	443.0	325.0
Operating income (loss)	**$ 85.6**	$ 21.0[1]	$ (2.8)
Operating margin	**12.2%**	4.5%[1]	—
Capital expenditures	**$ 264.3**	$ 164.9	$ 123.8
Identifiable assets as of December 31	**$1,728.0**	$1,504.3	$1,489.4

[1] Excluding the merger and integration costs of $3.2 million, operating income and margin for 1993 would have been $24.2 million and 5.2 percent, respectively.

OPERATING CASH FLOW MARGIN

(in percent)



Operating cash flows represents operating income (loss) plus depreciation and amortization. Margin for 1993 excludes the effect of nonrecurring items.

In addition to activities comprising the above operating results, Sprint's cellular and wireless division also owns minority interests in certain markets. Equity in the earnings and losses of these minority investments is included in "Other expense, net" in the Consolidated Statements of Income.

The increases in net operating revenues during 1994 and 1993 resulted principally from the growth in the number of cellular subscribers, which increased 59 percent in 1994 and 67 percent in 1993. The effect of this growth was partially offset by a decline in service revenue per subscriber, reflecting an industry-wide trend that has occurred as a result of increased general consumer market penetration. Future growth rates for net operating revenues and the number of cellular subscribers will be dependent on price levels and the quality of service in the competitive cellular marketplace as well as the impacts of emerging competition such as PCS.

Excluding the costs and revenues related to equipment sales, costs of services and products declined to 24.2 percent of net operating revenues in 1994 from 26.3 percent in 1993 and 29.7 percent in 1992, generally reflecting economies of scale gained from serving additional subscribers. The increases in selling, general and administrative expense for 1994 and 1993 resulted principally from increased commissions and customer service expenses, as well as increased advertising costs related to the growth in the number of cellular subscribers. Despite the increases in the amount of SG&A expense, such costs as a percentage of net operating revenues (excluding revenues from equipment sales) declined to 45.0 percent in 1994 from 49.2 percent in 1993 and 52.3 percent in 1992. These improvements resulted primarily from additional economies realized from providing service and support to a larger customer base. These economies contributed to a 3 percent decline in the total per unit cost to acquire customers (including costs of equipment sales) from 1993 to 1994. Depreciation and amortization increased during both 1994 and 1993 as additional investments in property, plant and equipment were required to meet the growth in the number of cellular subscribers.

Product Distribution and Directory Publishing

For the Years Ended December 31, (in millions)	**1994**	**1993**	**1992**
Net operating revenues	**$1,108.7**	$945.2	$862.9
Operating expenses			
Cost of services and products	**938.2**	801.0	717.8
Selling, general and administrative	**88.1**	74.6	71.7
Depreciation and amortization	**6.9**	5.4	7.4
Merger and integration costs	**—**	2.5	—
Total operating expenses	**1,033.2**	883.5	796.9
Operating income	**$ 75.5**	$ 61.7[1]	$ 66.0
Operating margin	**6.8%**	6.5%[1]	7.6%
Capital expenditures	**$ 6.7**	$ 9.0	$ 5.8
Identifiable assets as of December 31	**$ 376.2**	$341.8	$306.7

[1] Excluding the merger and integration costs of $2.5 million, operating income and margin for 1993 would have been $64.2 million and 6.8 percent, respectively.

North Supply, a wholesale distributor of telecommunications products, had 1994 net operating revenues of $829 million, compared to $677 million in 1993 and $594 million in 1992. The increases primarily reflect additional nonaffiliated contracts and increased sales to the local division, partially as a result of sales to the merged Centel telephone operations. As a percentage of net operating revenues, operating expenses for 1994, 1993 and 1992 were 95.4 percent, 96.5 percent and 95.2 percent, respectively.

Sprint Publishing & Advertising, a publisher and marketer of telephone directories, had net operating revenues of $280 million in 1994 compared with 1993 and 1992 net operating revenues of $268 million and $257 million, respectively. As a percentage of net operating revenues, operating expenses for 1994, 1993 and 1992 were 86.6 percent, 84.9 percent and 82.6 percent, respectively.

CONSOLIDATED BALANCE SHEETS

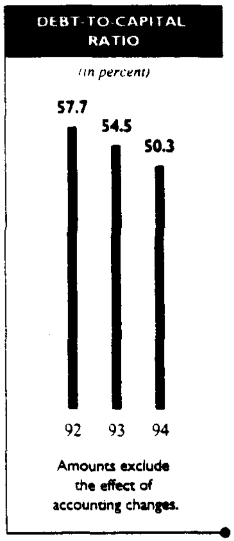
As of December 31, *(in millions)*	1994	1993
Assets		
Current assets		
Cash and equivalents	$ 123.3	$ 76.8
Accounts receivable, net of allowance for doubtful accounts of $128.9 million ($121.9 million in 1993)	1,469.8	1,230.6
Investment in equity securities	—	130.2
Inventories	215.8	182.3
Deferred income taxes	54.2	81.1
Prepaid expenses	144.5	120.7
Other	180.9	156.1
Total current assets	2,188.5	1,977.8
Investments in equity securities	177.6	173.1
Property, plant and equipment		
Long distance communications services	6,056.3	5,492.7
Local communications services	11,827.4	11,226.4
Cellular and wireless communications services	818.5	569.6
Other	498.6	433.7
	19,200.8	17,722.4
Less accumulated depreciation	8,322.2	7,407.6
	10,878.6	10,314.8
Cellular minority partnership interests	301.7	284.9
Excess of cost over net assets acquired	706.7	739.5
Other assets	683.2	658.8
	$14,936.3	$14,148.9
Liabilities and Shareholders' Equity		
Current liabilities		
Current maturities of long-term debt	$ 332.4	$ 523.4
Accounts payable	1,072.2	875.2
Accrued interconnection costs	527.6	537.7
Accrued taxes	268.5	307.2
Advance billings	167.6	150.6
Other	686.3	674.5
Total current liabilities	3,054.6	3,068.6
Long-term debt	4,604.8	4,571.0
Deferred credits and other liabilities		
Deferred income taxes and investment tax credits	1,259.0	1,229.9
Postretirement and other benefit obligations	850.3	793.1
Other	605.7	529.4
	2,715.0	2,552.4
Redeemable preferred stock	37.1	38.6
Common stock and other shareholders' equity		
Common stock, par value $2.50 per share, authorized 500.0 million shares, issued 348.6 million (343.4 million in 1993), and outstanding 348.3 million (343.4 million in 1993)	871.4	858.5
Capital in excess of par or stated value	942.9	827.4
Retained earnings	2,730.9	2,184.2
Other	(20.4)	48.2
	4,524.8	3,918.3
	$14,936.3	$14,148.9

See accompanying Notes to Consolidated Financial Statements.

REVIEW OF FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

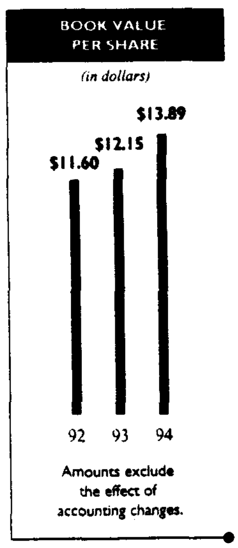
Financial Condition

Sprint's consolidated assets totaled $14.94 billion at December 31, 1994 compared to $14.15 billion at December 31, 1993. Accounts receivable increased $239 million as of December 31, 1994 compared to December 31, 1993 generally due to an 11 percent increase in consolidated net operating revenues and the timing of sales activities and cash collections. This increase did not have a significant impact on Sprint's aging of accounts receivable. Property, plant and equipment, net of accumulated depreciation, increased $564 million from 1993 to 1994. This increase was primarily a result of increased capital expenditures to enhance and upgrade Sprint's networks to expand service capabilities and increase productivity. The $130 million investment in equity securities classified as a current asset as of December 31, 1993 was sold during 1994. Current maturities of long-term debt as of December 31, 1994 decreased $191 million compared to December 31, 1993 due to scheduled debt payments. As of December 31, 1994, Sprint's total capitalization aggregated $9.50 billion, consisting of long-term debt (including current maturities), redeemable preferred stock, and common stock and other shareholders' equity. Long-term debt (including current maturities) comprised 52 percent of total capitalization as of December 31, 1994, compared to 56 percent at year-end 1993.



Liquidity and Capital Resources

Sprint anticipates cash flows from operating activities to be sufficient to fund dividends and capital expenditures during 1995. Sprint currently expects 1995 capital expenditures to be approximately $2.1 billion, excluding cash commitments associated with joint ventures. Sprint expects its external cash requirements for 1995 to be approximately $550 million to $650 million, which is generally required to repay scheduled long-term debt maturities and to refinance notes payable and commercial paper. Long-term debt outstanding as of December 31, 1994 includes $1.08 billion of notes payable and commercial paper. Such amounts which are not refinanced through the issuance of long-term debt will continue to be financed under existing credit facilities or may be reduced through free cash flows. External cash requirements will be financed primarily with debt, the source of which will depend upon prevailing market conditions during the year.

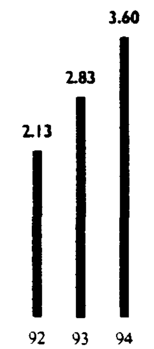


As discussed in "Strategic Developments," in October 1994 Sprint entered into a joint venture with certain cable companies to provide wireless communications services to consumers and businesses on a broad geographic basis within the United States. The joint venture is bidding on certain PCS licenses currently being auctioned by the FCC. The results of this auction, which is anticipated to conclude during the 1995 first quarter, will likely cause the joint venture, and ultimately its partners, to incur significant cash commitments. Additionally in 1995, Sprint will incur cash commitments associated with the continued development of the joint venture's infrastructure and presence in the communications marketplace, as well as cash commitments associated with the planned joint venture to provide local telephone service in competition with non-Sprint LECs. Aggregate cash commitments associated with these joint venture activities will be fully determined upon completion of the FCC's auction and negotiation of definitive agreements related to local telephone activities. Sprint is currently negotiating an interim credit facility to support anticipated cash commitments associated with these joint venture activities. A portion of the cash proceeds from the anticipated investment in Sprint by Deutsche Telekom and France Telecom would be used to ultimately fund commitments associated with joint venture activities.

At year-end 1994, Sprint had the ability to borrow $525 million under a revolving credit agreement with a syndicate of domestic and international banks and other bank commitments. Other available financing sources include a Medium-Term Note program, under which Sprint may offer for sale up to $175 million of unsecured senior debt securities. Additionally, pursuant to shelf registration statements filed with the Securities and Exchange Commission, up to $1.2 billion of debt securities could be offered for sale as of December 31, 1994. In January 1995, $70 million of such debt securities under shelf registration statements were issued in order to reduce commercial paper outstanding.

The aggregate amount of additional borrowings which can be incurred is ultimately limited by certain covenants contained in existing debt agreements. As of December 31, 1994, Sprint had borrowing capacity of approximately $4.1 billion under the most restrictive of its debt covenants.

RATIO OF EARNINGS TO FIXED CHARGES



Amounts exclude the effects of nonrecurring items.

General Hedging Policies

Sprint, on a limited basis, utilizes certain derivative financial instruments in an effort to manage exposure to interest rate risk and foreign exchange risk. Sprint's utilization of such derivative financial instruments related to hedging activities is generally limited to interest rate swap agreements and forward contracts and options in foreign currencies. Sprint will in no circumstance take speculative positions and create an exposure to benefit from market fluctuations. All hedging activity is in accordance with board-approved policies. Any potential loss or exposure related to Sprint's use of derivative instruments is immaterial to its overall operations, financial condition and liquidity. See Note 10 of Notes to Consolidated Financial Statements for more information related to Sprint's portfolio of derivative instruments.

Interest Rate Risk Management

Sprint's interest rate risk management program focuses on minimizing vulnerability of net income to movements in interest rates, setting an optimal mixture of floating-rate and fixed-rate debt in the liability portfolio and preventing liquidity risk. Sprint primarily employs a gap methodology to measure interest rate exposure and utilizes simulation analysis to manage interest rate risk. Sprint takes an active stance in modifying hedge positions to benefit from the value of timing flexibility and fixed-rate/floating-rate adjustments.

Foreign Exchange Risk Management

Sprint's foreign exchange risk management program focuses on optimizing consolidated cash flows and stabilizing accounting results. Sprint does not hedge translation exposure because it believes that optimizing consolidated cash flows will, over time, maintain shareholder value. Sprint's primary transaction exposure in foreign currencies results from changes in foreign exchange rates between the dates Sprint incurs and settles liabilities (payable in a foreign currency) to overseas telephone companies for the costs of terminating international calls made by Sprint's domestic customers.

Impact of Recently Issued Accounting Pronouncements

The American Institute of Certified Public Accountants has issued a Statement of Position, "Reporting on Advertising Costs," which provides guidance on financial reporting of advertising costs in annual financial statements. The statement requires reporting the costs of all advertising as expenses in the periods in which the costs are incurred, or the first time the advertising takes place unless certain criteria for deferral are met. The statement is effective for financial statements for years beginning after June 15, 1994. Management believes that Sprint's current practice of expensing advertising costs as incurred meets the requirements of the statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, (in millions)	1994	1993	1992
Operating Activities			
Net income	**$ 890.7**	$ 54.9	$ 502.8
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	**1,478.4**	1,358.7	1,391.5
Deferred income taxes and investment tax credits	**74.6**	(34.5)	3.0
Gain on sale of investment in equity securities	**(34.7)**	—	—
Gain on divestiture of telephone properties	—	—	(81.1)
Extraordinary losses on early extinguishments of debt	—	20.4	14.2
Cumulative effect of changes in accounting principles	—	384.2	(22.7)
Changes in operating assets and liabilities			
Accounts receivable, net	**(239.2)**	(185.8)	257.8
Inventories and other current assets	**(84.5)**	(42.7)	(13.9)
Accounts payable, accrued expenses and other current liabilities	**197.8**	362.0	126.8
Noncurrent assets and liabilities, net	**134.3**	135.1	152.3
Other, net	**54.6**	60.1	(80.1)
Net cash provided by operating activities	**2,472.0**	2,112.4	2,250.6
Investing Activities			
Capital expenditures	**(2,015.9)**	(1,594.7)	(1,466.2)
Proceeds from sale of investment in equity securities	**117.7**	—	—
Equity investments	**(49.2)**	9.0	(1.7)
Acquisition of Limited Partnership minority interest	—	—	(250.0)
Proceeds from divestiture of telephone properties	—	—	114.0
Other, net	**(34.5)**	17.3	26.0
Net cash used by investing activities	**(1,981.9)**	(1,568.4)	(1,577.9)
Financing Activities			
Proceeds from long-term debt	**107.9**	840.4	951.2
Retirements of long-term debt	**(597.0)**	(1,589.0)	(1,257.4)
Net increase in notes payable and commercial paper	**321.5**	393.5	147.0
Payment of note payable to minority partner	—	—	(280.0)
Proceeds from common stock issued	**42.7**	70.8	51.6
Proceeds from employees stock purchase installments	**33.1**	28.3	13.2
Dividends paid	**(349.4)**	(347.1)	(300.1)
Other, net	**(2.4)**	7.1	4.7
Net cash used by financing activities	**(443.6)**	(596.0)	(669.8)
Increase (Decrease) in Cash and Equivalents	**46.5**	(52.0)	2.9
Cash and Equivalents at Beginning of Year	**76.8**	128.8	125.9
Cash and Equivalents at End of Year	**$ 123.3**	$ 76.8	$ 128.8
Supplemental Cash Flows Information			
Cash paid for interest	**$ 418.1**	$ 453.6	$ 507.5
Cash paid for income taxes	**$ 435.1**	$ 292.4	$ 269.0
Noncash Financing Activities			
Common stock contributed to employee savings plans, at market	**$ 31.0**	$ 39.0	$ 28.0

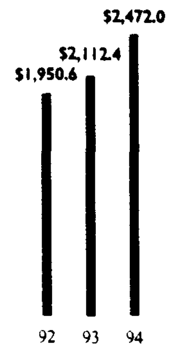
See accompanying Notes to Consolidated Financial Statements.

REVIEW OF CASH FLOWS

Cash Flows – Operating Activities

Cash flows from operating activities, which are Sprint's primary source of liquidity, were $2.47 billion, $2.11 billion and $2.25 billion in 1994, 1993 and 1992, respectively. Operating cash flows for 1994 and 1993 reflect improved operating results, partially offset by expenditures related to the 1993 merger, integration and restructuring actions of $86 million and $155 million for 1994 and 1993, respectively. The 1992 operating cash flows include proceeds of $300 million from the sale of accounts receivable within the long distance division.

CASH FLOWS FROM OPERATING ACTIVITIES
(dollars in millions)



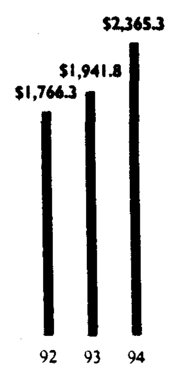
Amount for 1992 excludes $300 million of proceeds from sale of accounts receivable.

Cash Flows – Investing Activities

Sprint's investing activities used cash of $1.98 billion, $1.57 billion and $1.58 billion in 1994, 1993 and 1992, respectively. Capital expenditures, which represent Sprint's most significant investing activity, were $2.02 billion, $1.59 billion and $1.47 billion in 1994, 1993 and 1992, respectively.

Long distance capital expenditures were incurred each year primarily to increase the network capacity and to enhance network reliability and capabilities for providing new products and services. Capital expenditures for the local division were made to accommodate access line growth, to continue the conversion to digital technologies, and to expand the division's capabilities for providing enhanced telecommunications services. The increases in 1994 and 1993 capital expenditures for the cellular and wireless division reflect the significant increases in the number of cellular subscribers served during such years.

CAPITAL EXPENDITURES AND DIVIDENDS
(dollars in millions)



Investing activities for 1994 also include $118 million received in connection with the sale of an investment in equity securities. Additionally, Sprint made investments of $49 million in connection with several joint ventures, which included initial funding requirements associated with a joint venture's participation in the PCS auction conducted by the FCC. Investing activities in 1992 included $250 million paid in connection with Sprint's $530 million acquisition of the remaining 19.9 percent interest in Sprint Communications Company L.P. (the Limited Partnership) and proceeds of $114 million from the sale of certain local telephone properties.

Cash Flows – Financing Activities

Sprint's financing activities used cash of $444 million, $596 million and $670 million in 1994, 1993 and 1992, respectively. Improved operating cash flows during each year, together with proceeds in 1992 from the sale of additional accounts receivable and from the divestiture of certain local telephone properties, allowed Sprint to fund capital expenditures and dividends internally and to reduce total debt outstanding during each year. In addition, the $280 million note issued to the seller in connection with the acquisition of the remaining interest in the Limited Partnership was paid in 1992.

During 1993 and 1992, a significant level of debt refinancing occurred in order to take advantage of lower interest rates. Accordingly, a majority of the proceeds from long-term borrowings in 1993 was used to finance the redemption prior to scheduled maturities of $1.24 billion of debt. During 1992, Sprint refinanced $720 million of long-term debt and borrowed $250 million to finance the payment related to the acquisition of the remaining 19.9 percent interest in the Limited Partnership.

Sprint paid dividends to common and preferred shareholders of $349 million, $347 million and $300 million in 1994, 1993 and 1992, respectively. Sprint's indicated annual dividend rate on common stock is currently $1.00 per share.

CONSOLIDATED STATEMENTS OF COMMON STOCK AND OTHER SHAREHOLDERS' EQUITY

For the Years Ended December 31, 1994, 1993 and 1992 (in millions)	Common Stock	Capital in Excess of Par or Stated Value	Retained Earnings	Other	Total
Balance as of January 1, 1992					
(334.8 million shares issued and outstanding)	$836.9	$640.3	$2,248.1	$(53.4)	$3,671.9
Net income	—	—	502.8	—	502.8
Common stock dividends	—	—	(296.6)	—	(296.6)
Preferred stock dividends	—	—	(3.5)	—	(3.5)
Employee stock purchase and other installments received, net	—	—	—	15.5	15.5
Common stock issued	9.9	73.7	—	(6.5)	77.1
Other, net	0.3	3.5	0.9	(0.3)	4.4
Balance as of December 31, 1992					
(338.9 million shares issued and outstanding)	847.1	717.5	2,451.7	(44.7)	3,971.6
Net income	—	—	54.9	—	54.9
Common stock dividends	—	—	(324.5)	—	(324.5)
Preferred stock dividends	—	—	(2.8)	—	(2.8)
Employee stock purchase and other installments received, net	—	—	—	30.8	30.8
Common stock issued	11.0	98.4	—	(2.4)	107.0
Change in unrealized holding gains on investments in equity securities, net	—	—	—	64.8	64.8
Other, net	0.4	11.5	4.9	(0.3)	16.5
Balance as of December 31, 1993					
(343.4 million shares issued and outstanding)	858.5	827.4	2,184.2	48.2	3,918.3
Net income	—	—	890.7	—	890.7
Common stock dividends	—	—	(346.7)	—	(346.7)
Preferred stock dividends	—	—	(2.7)	—	(2.7)
Employee stock purchase and other installments received, net	—	—	—	15.0	15.0
Common stock issued	12.8	111.9	—	(53.4)	71.3
Change in unrealized holding gains on investments in equity securities, net	—	—	—	(20.5)	(20.5)
Other, net	0.1	3.6	5.4	(9.7)	(0.6)
Balance as of December 31, 1994					
(348.6 million shares issued and 348.3 million shares outstanding)	**$871.4**	**$942.9**	**$2,730.9**	**$(20.4)**	**$4,524.8**

See accompanying Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Sprint Corporation is presented to assist in understanding the accompanying consolidated financial statements.

Basis of Consolidation and Presentation

The accompanying consolidated financial statements include the accounts of Sprint Corporation and its wholly-owned and majority-owned subsidiaries (Sprint). Investments in less than 50 percent-owned partnerships or joint ventures are accounted for using the equity method.

In accordance with industry practice, revenues and related net income of non-regulated operations attributable to transactions with Sprint's rate-regulated telephone companies have not been eliminated in the accompanying consolidated financial statements. Intercompany revenues of such entities amounted to $285 million, $225 million and $194 million in 1994, 1993 and 1992, respectively.

All other significant intercompany transactions have been eliminated.

Certain amounts previously reported for prior periods have been reclassified to conform to the current period presentation in the accompanying consolidated financial statements. Such reclassifications had no effect on the results of operations or shareholders' equity as previously reported.

Classification of Operations

The long distance communications services division provides domestic voice and data communications services across certain specified geographical boundaries, as well as international long distance communications services. Rates charged for such services sold to the public are subject to different levels of state and federal regulation, but are generally not subject to rate-base regulation.

The local communications services division consists principally of the operations of Sprint's rate-regulated telephone companies. These operations provide local exchange services, access by telephone customers and other carriers to local exchange facilities and long distance services within specified geographical areas.

The cellular and wireless communications services division consists of wholly-owned and majority-owned interests in partnerships and corporations operating cellular and wireless communications properties in various metropolitan and rural service area markets.

The product distribution and directory publishing businesses include the wholesale distribution of telecommunications products and the publishing and marketing of white and yellow page telephone directories.

Revenue Recognition

Operating revenues for the long distance, local and cellular and wireless communications services divisions are recognized as communications services are rendered. Operating revenues for the long distance communications services division are recorded net of an estimate for uncollectible accounts. Operating revenues for Sprint's product distribution business are recognized upon delivery of products to customers.

Regulated Operations

Sprint's rate-regulated telephone companies account for the economic effects of regulation pursuant to Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," which requires the accounting recognition of the rate actions of regulators where appropriate. Such actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, or impose a liability on a regulated enterprise.

Cash and Equivalents

Cash equivalents generally include highly liquid investments with original maturities of three months or less and are stated at cost, which approximates market value.

As part of its cash management program, Sprint utilizes controlled disbursement banking arrangements. As of December 31, 1994 and 1993, outstanding checks in excess of cash balances of $174 million and $166 million, respectively, are included in accounts payable. Sprint had sufficient funds available to fund these outstanding checks when they were presented for payment.

Investments in Equity Securities

Investments in equity securities are classified as available for sale and are reported at fair value (estimated based on quoted market prices) as of December 31, 1994 and 1993. As of December 31, 1994 and 1993, the cost of such investments was $109 million and $202 million, respectively, with the gross unrealized holding gains of $69 million and $101 million, respectively, reflected as an addition to other shareholders' equity, net of related income taxes.

During 1994, Sprint sold an investment in equity securities, realizing a gain of $35 million.

Inventories

Inventories, consisting principally of those related to Sprint's product distribution business, are stated at the lower of cost (principally first-in, first-out method) or market.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Generally, ordinary asset retirements and disposals are charged against accumulated depreciation with no gain or loss recognized. Repairs and maintenance costs are expensed as incurred.

Effective January 1, 1993, Sprint's long distance communications services division changed its method of accounting for certain costs related to connecting new customers to its network. The change was made to conform Sprint's accounting to the predominant industry practice for such costs. Under the new method, such costs (which were previously capitalized) are being expensed when incurred. The resulting nonrecurring, noncash charge of $32 million ($0.09 per share), net of related income tax benefits, is reflected in the 1993 consolidated statement of income as a cumulative effect of change in accounting principle. The proforma impact of retroactive application of the change would not have been material to net income or earnings per share for 1992, and the impact of the change on Sprint's 1993 operating expenses was not significant.

Depreciation

The cost of property, plant and equipment is depreciated generally on a straight-line basis over the estimated useful lives (such lives related to regulated property, plant and equipment are those prescribed by regulatory commissions). Depreciation rate changes, special short-term amortizations and nonrecurring charges approved by regulatory commissions for the rate-regulated telephone companies resulted in additional depreciation totaling $26 million, $7 million and $46 million in 1994, 1993 and 1992, respectively. After the related effects on revenues and income taxes, these items reduced income from continuing operations for 1994, 1993 and 1992 by approximately $14 million, $4 million and $24 million, respectively.

Cellular Minority Partnership Investments

Cellular minority partnership investments include the excess of the purchase price over the underlying book value of cellular communications partnerships of $195 million and $201 million as of December 31, 1994 and 1993, respectively. Such excess is being amortized on a straight-line basis over 40 years; accumulated amortization aggregated $35 million and $29 million as of December 31, 1994 and 1993, respectively.

Excess of Cost over Net Assets Acquired

The excess of the purchase price over the fair value of net assets acquired, principally related to cellular communications services properties, is being amortized on a straight-line basis over 40 years. Accumulated amortization aggregated $132 million and $112 million as of December 31, 1994 and 1993, respectively.

Income Taxes

Deferred income taxes are provided for certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Investment tax credits related to regulated telephone property, plant and equipment have been deferred and are being amortized over the estimated useful lives of the related assets.

Interest Charged to Construction

Regulatory commissions allow the rate-regulated telephone companies to capitalize an allowance for funds expended during construction. Amounts capitalized will be recovered over the service lives of the respective assets constructed as the resulting higher depreciation is recovered through increased revenues. Interest costs associated with the construction of capital assets for Sprint's other operations are capitalized in accordance with SFAS No. 34, "Capitalization of Interest Costs." Total amounts capitalized during 1994, 1993 and 1992 were $9 million, $8 million and $11 million, respectively.

Earnings Per Share

Earnings per common share amounts are based on the weighted average number of shares both outstanding and issuable assuming exercise of all dilutive options, as applicable.

2. Employee Benefit Plans

Defined Benefit Pension Plan

Substantially all Sprint employees are covered by a noncontributory defined benefit pension plan. For participants of the plan represented by collective bargaining units, benefits are based upon schedules of defined amounts as negotiated by the respective parties. For participants not covered by collective bargaining agreements, the plan provides pension benefits based upon years of service and participants' compensation.

Sprint's policy is to make contributions to the plan each year equal to an actuarially determined amount consistent with applicable federal tax regulations. The funding objective is to accumulate funds at a relatively stable rate over the participants' working lives so that benefits are fully funded at retirement. As of December 31, 1994, the plan's assets consisted principally of investments in corporate equity securities and U.S. government and corporate debt securities.

The components of the net pension costs (credits) and related weighted average assumptions are as follows:

(in millions)	1994	1993	1992
Service cost – benefits earned during the period	**$ 61.6**	$ 58.2	$ 50.8
Interest cost on projected benefit obligation	**121.6**	103.9	96.1
Actual return on plan assets	**(1.1)**	(241.2)	(89.5)
Net amortization and deferral	**(176.6)**	62.5	(64.7)
Net pension cost (credit)	**$ 5.5**	$ (16.6)	$ (7.3)
Discount rate	**7.5%**	8.0%	8.4%
Expected long-term rate of return on plan assets	**9.5%**	9.5%	8.5%
Anticipated composite rate of future increases in compensation	**4.5%**	5.5%	6.2%

In addition, Sprint recognized pension curtailment losses of $3 million in 1993 as a result of integration and restructuring actions (see Notes 9 and 10).

The funded status and amounts recognized in the consolidated balance sheets for the plan, as of December 31, are as follows:

(in millions)	1994	1993
Actuarial present value of benefit obligations		
Vested benefit obligation	**$(1,338.1)**	$(1,277.0)
Accumulated benefit obligation	**$(1,459.5)**	$(1,462.7)
Projected benefit obligation	**$(1,547.3)**	$(1,582.9)
Plan assets at fair value	**1,950.2**	2,029.0
Plan assets in excess of the projected benefit obligation	**402.9**	446.1
Unrecognized net gains	**(203.8)**	(197.3)
Unrecognized prior service cost	**107.4**	88.1
Unamortized portion of transition asset	**(197.0)**	(221.9)
Prepaid pension cost	**$ 109.5**	$ 115.0

The projected benefit obligations as of December 31, 1994 and 1993 were determined using discount rates of 8.5 percent and 7.5 percent, respectively, and anticipated composite rates of future increases in compensation of 5.0 percent and 4.5 percent, respectively.

Defined Contribution Plans

Sprint sponsors defined contribution employee savings plans covering substantially all employees. Participants may contribute portions of their compensation to the plans. Contributions of participants represented by collective bargaining units are matched by Sprint based upon defined amounts as negotiated by the respective parties. Contributions of participants not covered by collective bargaining agreements are also matched by Sprint. For these participants, Sprint provides matching contributions in common stock equal to 50 percent of participants' contributions up to 6 percent of their compensation and may, at the discretion of the Board of Directors, provide additional matching contributions based upon the performance of Sprint's common stock in comparison to other telecommunications companies. Sprint's matching contributions (including cash contributions under the former Centel Corporation [Centel] savings plans) aggregated $49 million, $49 million and $40 million in 1994, 1993 and 1992, respectively.

Postretirement Benefits

Sprint sponsors postretirement benefits (principally health care benefits) arrangements covering substantially all employees. Employees who retired before specified dates are eligible for these benefits at no cost or a reduced cost. Employees retiring after specified dates are eligible for these benefits on a shared cost basis. Sprint funds the accrued costs as benefits are paid.

Effective January 1, 1993, Sprint changed or modified its method of accounting for postretirement benefits by adopting SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The resulting nonrecurring, noncash charge of $341 million ($1.00 per share), net of related income tax benefits, is reflected in the 1993 consolidated statement of income as a cumulative effect of change in accounting principle. During 1992, the cost of providing postretirement benefits to Sprint's retirees was expensed as such costs were paid, while for Centel's employees and retirees, an accrual basis approach was utilized to recognize such costs.

Upon adoption of the new standard, Sprint elected to immediately recognize its previously unrecorded obligation for postretirement benefits already earned by current retirees and employees (the transition obligation), a substantial portion of which related to its rate-regulated telephone companies. Pursuant to SFAS No. 71, regulatory assets associated with the recognition of the transition obligation were recorded in jurisdictions where the regulators have issued orders specific to Sprint permitting recognition of net postretirement benefits costs for ratemaking purposes, and providing for recovery of the transition obligation over a period of no longer than 20 years. As of December 31, 1994, such regulatory assets aggregated $78 million. In all other jurisdictions, regulatory assets associated with the recognition of the transition obligation were not recorded due to the uncertainties as to the timing and extent of recovery.

The components of the net postretirement benefits cost are as follows:

(in millions)	1994	1993
Service cost – benefits earned during the period	**$23.5**	$22.1
Interest on accumulated benefit obligation	**53.4**	56.5
Net amortization and deferral	**(1.9)**	—
Net postretirement benefits cost	**$75.0**	$78.6

For measurement purposes, a weighted average annual health care cost trend rate of 12 percent was assumed for 1994, gradually decreasing to 6 percent by 2001 and remaining constant thereafter. The effect of a 1 percent increase in the assumed trend rates would have increased the 1994 net postretirement benefits cost by approximately $25 million. The discount rates for 1994 and 1993 were 7.5 percent and 8.0 percent, respectively.

In addition, Sprint recognized postretirement benefits curtailment losses of $11 million in 1993 as a result of integration and restructuring actions (see Notes 9 and 10).

The cost of providing postretirement benefits was $28 million in 1992.

The amounts recognized in the consolidated balance sheets as of December 31, are as follows:

(in millions)	1994	1993
Accumulated postretirement benefits obligation		
Retirees	**$299.2**	$322.8
Active plan participants – fully eligible	**130.7**	158.0
Active plan participants – other	**246.2**	254.4
	676.1	735.2
Unrecognized prior service benefit	**6.4**	6.8
Unrecognized net gains	**155.3**	38.9
Accrued postretirement benefits cost	**$837.8**	$780.9

The accumulated benefits obligations as of December 31, 1994 and 1993 were determined using discount rates of 8.5 percent and 7.5 percent, respectively. An annual health care trend rate of 12 percent was assumed for 1995, gradually decreasing to 6 percent by 2001 and remaining constant thereafter. The effect of a 1 percent annual increase in the assumed health care cost trend rates would have increased the accumulated benefits obligation as of December 31, 1994 by approximately $86 million.

Postemployment Benefits

Effective January 1, 1993, Sprint adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." Upon adoption, Sprint recognized certain previously unrecorded obligations for benefits being provided to former or inactive employees and their dependents, after employment but before retirement. The resulting nonrecurring, noncash charge of $11 million ($0.03 per share), net of related income tax benefits, is reflected in the 1993 consolidated statement of income as a cumulative effect of change in accounting principle. Such postemployment benefits offered by Sprint include severance, disability and workers compensation benefits, including the continuation of other benefits such as health care and life insurance coverage.

3. Income Taxes

The components of the income tax provisions allocated to continuing operations are as follows:

(in millions)	1994	1993	1992
Current income tax provision			
Federal	**$343.4**	$275.6	$242.1
State	**80.4**	54.2	37.2
	423.8	329.8	279.3
Deferred income tax provision (benefit)			
Federal	**100.2**	16.4	9.5
State	**(3.6)**	(26.2)	24.8
Amortization of deferred investment tax credits	**(22.0)**	(24.7)	(31.3)
	74.6	(34.5)	3.0
Total income tax provision	**$498.4**	$295.3	$282.3

On August 10, 1993, the Revenue Reconciliation Act of 1993 was enacted which, among other changes, raised the federal income tax rate for corporations to 35 percent from 34 percent, retroactive to January 1, 1993. Accordingly, Sprint adjusted its deferred income tax assets and liabilities to reflect the revised rate. The resulting adjustment related to Sprint's nonregulated subsidiaries increased the 1993 deferred income tax provision by $13 million ($0.04 per share). Adjustments to the net deferred income tax liabilities associated with the rate-regulated telephone companies were generally recorded as reductions to regulatory liabilities.

The differences which cause the effective income tax rate to vary from the statutory federal income tax rate of 35 percent in 1994 and 1993 and 34 percent in 1992 are as follows:

(in millions)	1994	1993	1992
Income tax provision at the statutory rate	**$483.7**	$271.6	$264.7
Less investment tax credits included in income	**22.0**	24.7	31.3
Expected federal income tax provision after investment tax credits	**461.7**	246.9	233.4
Effect of			
State income taxes, net of federal income tax effect	**49.9**	18.2	40.9
Differences required to be flowed through by regulatory commissions	**4.8**	6.0	5.6
Reversal of rate differentials	**(9.7)**	(13.0)	(16.3)
Amortization of intangibles	**8.8**	8.8	8.6
Merger related costs	**—**	18.0	—
Other, net	**(17.1)**	10.4	10.1
Income tax provision, including investment tax credits	**$498.4**	$295.3	$282.3
Effective income tax rate	**36%**	38%	36%

The income tax provisions (benefits) allocated to other items are as follows:

(in millions)	1994	1993	1992
Discontinued operations	**$ (9.0)**	$ (6.6)	$ —
Extraordinary losses on early extinguishments of debt	**—**	(20.3)	(9.1)
Cumulative effect of changes in accounting principles			
Postretirement benefits	**—**	(216.7)	—
Postemployment benefits	**—**	(6.7)	—
Circuit activity costs	**—**	(21.5)	—
Unrealized holding gains on investments in equity securities (recorded directly to shareholders' equity)	**(11.6)**	36.5	—
Stock ownership, purchase and options arrangements (recorded directly to shareholders' equity)	**(8.1)**	(10.6)	(6.0)

Deferred income taxes are provided for the temporary differences between the carrying amounts of Sprint's assets and liabilities for financial statement purposes and their tax bases. The sources of the differences that give rise to the deferred income tax assets and liabilities as of December 31, 1994 and 1993, along with the income tax effect of each, are as follows:

	1994 Deferred Income Tax		1993 Deferred Income Tax	
(in millions)	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	**$ —**	**$1,592.3**	$ —	$1,611.1
Postretirement and other benefits	**301.3**	**—**	281.1	—
Alternative minimum tax credit carryforwards	**93.0**	**—**	259.7	—
Operating loss carryforwards	**59.9**	**—**	64.7	—
Integration and restructuring costs	**12.2**	**—**	35.0	—
Regulatory revenue reserves	**33.4**	**—**	10.2	—
Other, net	**—**	**2.9**	—	20.1
	499.8	**1,595.2**	650.7	1,631.2
Less valuation allowance	**21.1**	**—**	24.5	—
Total	**$478.7**	**$1,595.2**	$626.2	$1,631.2

During 1994 and 1993, the valuation allowance related to deferred income tax assets decreased $3 million and $6 million, respectively.

As of December 31, 1994, Sprint has available, for income tax purposes, $93 million of alternative minimum tax credit carryforwards to offset regular income tax payable in future years, and tax benefits of $60 million associated with state operating loss carryforwards. The loss carryforwards expire in varying amounts annually from 1995 through 2009.

Effective January 1, 1992, Sprint changed its method of accounting for income taxes by adopting SFAS No. 109. The cumulative effect of this change in accounting principle increased 1992 net income by $23 million ($0.07 per share).

4. Debt

Long-term debt, as of December 31, is as follows:

(in millions)	Maturing	1994	1993
Corporate			
Senior notes			
8.60% to 9.71%	1994	$ —	$ 225.0
9.45%	1995	**50.0**	50.0
10.45%	1996	**200.0**	200.0
9.88%	1997	**80.0**	120.0
9.19% to 9.60%	1998	**43.0**	43.0
8.13% to 9.80%	2000 to 2003	**632.3**	632.3
Debentures			
9.25%	2022	**200.0**	200.0
Notes payable and commercial paper, classified as long-term debt	1996	**934.0**	634.4
Other			
11.88%	1999	—	4.5
Long Distance Communications Services			
Vendor financing agreements			
6.99% to 15.00%	1995 to 2001	**223.1**	423.4
Local Communications Services			
First mortgage bonds			
2.00% to 9.37%	1995 to 1999	**156.6**	197.8
5.88% to 9.29%	2000 to 2004	**593.0**	595.7
4.00% to 8.75%	2005 to 2009	**249.2**	268.0
6.88% to 9.79%	2010 to 2014	**110.0**	80.0
8.77% to 9.28%	2015 to 2019	**254.6**	275.0
7.13% to 9.89%	2020 to 2024	**147.9**	148.6
Debentures and notes			
4.50% to 9.61%	1995 to 2020	**424.0**	424.4
Notes payable and commercial paper, classified as long-term debt	1996	**143.4**	121.4
Other			
2.00% to 19.45%	1995 to 2017	**20.0**	17.3
Other			
Senior notes			
9.88%	1998	**250.0**	277.1
Debentures			
9.00%	2019	**150.0**	150.0
Other			
5.39% to 13.00%	1995 to 1999	**76.1**	6.5
		4,937.2	5,094.4
Less current maturities		**332.4**	523.4
Long-term debt		**$4,604.8**	$4,571.0

Long-term debt maturities during each of the next five years are as follows:

(in millions)	
1995	$ 332.4
1996	1,337.4
1997	110.9
1998	410.6
1999	52.9

Property, plant and equipment with an aggregate cost of approximately $10.89 billion is either pledged as security for first mortgage bonds and certain notes or is restricted for use as mortgaged property.

Notes payable and commercial paper outstanding and related weighted average interest rates, as of December 31, are as follows:

(in millions)	1994	1993
Bank notes, 5.85% (3.55% in 1993)	**$ 263.0**	$397.5
Master Trust notes, 6.33% (3.71% in 1993)	**248.7**	250.0
Commercial paper, 5.08% (3.29% in 1993)	**565.7**	108.3
Total notes payable and commercial paper	**$1,077.4**	$755.8

Notes payable and commercial paper outstanding as of December 31, 1994 and 1993 are classified as long-term debt due to Sprint's intent to refinance such borrowings on a long-term basis and due to its demonstrated ability to do so pursuant to the $1.1 billion revolving credit agreement described below.

The bank notes are renewable at various dates throughout the year. Sprint pays a fee to certain commercial banks to support current and future credit requirements based upon loan commitments. Lines of credit may be withdrawn by the banks if there is a material adverse change in Sprint's financial condition.

Sprint has a Master Trust Note Agreement with the trust division of a bank to borrow funds on demand. Interest on such borrowings is at a rate that yields interest equivalent to the most favorable discount rate paid on 30-day commercial paper.

As of December 31, 1994, Sprint had a total of $1.3 billion of credit arrangements, consisting of various bank commitments and a $1.1 billion revolving credit agreement with a syndicate of domestic and international banks. At that date, Sprint had availability totaling $525 million under such arrangements. The revolving credit agreement expires in July 1996 and, subject to the approval of the lenders, may be extended for an additional year.

Sprint is in compliance with all restrictive or financial covenants relating to its debt arrangements at December 31, 1994.

During 1993 and 1992, Sprint redeemed or called for redemption prior to scheduled maturities $1.34 billion and $720 million, respectively, of first mortgage bonds, senior notes and debentures. Excluding amounts deferred by the rate-regulated telephone companies as required by certain regulatory commissions, the prepayment penalties incurred in connection with early extinguishments of debt and the write-off of related debt issuance costs aggregated $29 million in 1993 and $16 million in 1992, net of related income tax benefits, and are reflected as extraordinary losses in the consolidated statements of income.

5. Redeemable Preferred Stock

Sprint has 20 million authorized shares and subsidiaries have approximately 6 million authorized shares of preferred stock, including non-redeemable preferred stock. The redeemable preferred stock outstanding, as of December 31, is as follows:

(in millions)	1994	1993
Third series – stated value $100 per share, shares – 196,000 in 1994 and 208,000 in 1993, non-participating, non-voting, cumulative 7.75% annual dividend rate	**$19.6**	$20.8
Fifth series – stated value $100,000 per share, shares – 95 in 1994 and 1993, voting, cumulative 6% annual dividend rate	**9.5**	9.5
Subsidiaries – stated value ranging from $10 to $100 per share, shares – 364,345 in 1994 and 380,055 in 1993, annual dividend rates ranging from 4.7% to 5.4%	**8.0**	8.3
Total redeemable preferred stock	**$37.1**	$38.6

Sprint's third series preferred stock is redeemed through a sinking fund at the rate of 12,000 shares, or $1.2 million per year, until 2008, at which time all remaining shares are to be redeemed. Sprint may redeem additional third series preferred shares at $102.29 per share during 1995, and at declining amounts in succeeding years. In the event of default, the holders of Sprint's third series redeemable preferred stock are entitled to elect a certain number of directors until all arrears in dividend and sinking fund payments have been paid.

Sprint's fifth series preferred stock must be redeemed in full in 2003. If less than full dividends have been paid for four consecutive dividend periods or if the total amount of dividends in arrears exceeds an amount equal to the dividend payment for six dividend periods, the holders of the fifth series preferred stock are entitled to elect a majority of directors standing for election until all arrears in dividend payments have been paid.

6. Common Stock

Common stock activity during 1994 and shares reserved for future grants under stock option plans or future issuances under various arrangements are as follows:

	Number of Shares	
(in millions)	1994 Activity	Reserved as of December 31, 1994
Employees Stock Purchase Plan	2.7	—
Employee savings plans	1.3	3.4
Automatic Dividend Reinvestment Plan	0.2	1.2
Officer and key employees' and directors' stock options	0.9	4.7
Conversion of preferred stock and other	0.1	1.5
Total	5.2	10.8

As of December 31, 1994, elections to purchase 2.9 million of Sprint's common shares were outstanding under the 1994 offering of the Employees Stock Purchase Plan. The purchase price under the offering cannot exceed $32.35 per share, such price representing 85 percent of the average market price on the offering date, or fall below $12.00 per share. The 1994 offering terminates on June 30, 1996.

Under various stock option plans, shares of common stock are reserved for issuance to officers, other key employees and outside directors. All options are granted at 100 percent of the market price at date of grant. Approximately 2 percent of all options outstanding as of December 31, 1994 provide for the granting of stock appreciation rights as an alternate method of settlement upon exercise. A summary of stock option activity under the plans is as follows:

(in millions, except per share data)	Number of Shares	Per Share Exercise Price Low	Per Share Exercise Price High	Aggregate Exercise Amount
Shares under option as of January 1, 1992 (5.1 million shares exercisable)	9.3	$ 9.44	$39.31	$200.2
Granted	0.4	21.56	25.88	9.9
Exercised				
Options without stock appreciation rights	(1.3)	9.44	29.68	(22.6)
Options with stock appreciation rights	(0.5)	9.44	29.68	(7.1)
Terminated and expired	(0.4)	14.03	33.75	(10.2)
Shares under option as of December 31, 1992 (5.5 million shares exercisable)	7.5	9.44	39.31	170.2
Granted	1.6	27.50	38.44	50.3
Exercised				
Options without stock appreciation rights	(2.1)	9.44	33.75	(41.0)
Options with stock appreciation rights	(0.3)	11.09	29.68	(5.5)
Terminated and expired	(0.1)	18.16	33.75	(3.2)
Shares under option as of December 31, 1993 (4.5 million shares exercisable)	6.6	9.44	39.31	170.8
Granted	2.8	30.81	39.50	100.3
Exercised				
Options without stock appreciation rights	(0.8)	9.44	33.75	(17.4)
Options with stock appreciation rights	(0.2)	11.09	29.68	(3.8)
Terminated and expired	(0.6)	22.13	36.69	(16.7)
Shares under option as of December 31, 1994 (3.7 million shares exercisable)	**7.8**	**$11.09**	**$39.50**	**$233.2**

During 1990, the Savings Plan Trust, an employee savings plan, acquired shares of common stock from Sprint in exchange for a $75 million promissory note payable to Sprint. The note bears an interest rate of 9 percent and is to be repaid from the common stock dividends received by the plan and the contributions made to the plan by Sprint in accordance with plan provisions. The remaining balance of the note receivable of $58 million as of December 31, 1994 is reflected as a reduction to other shareholders' equity.

Under a Shareholder Rights plan, one-half of a Preferred Stock Purchase Right is attached to each share of common stock. Each Right, which is exercisable and detachable only upon the occurrence of certain takeover events, entitles shareholders to buy units consisting of one one-hundredth of a newly issued share of Preferred Stock-Fourth Series, Junior Participating at a price of $235 per unit or, in certain circumstances, common stock. Under certain circumstances, Rights beneficially owned by an acquiring person become null and void. Sprint's Preferred Stock-Fourth Series is without par value. It is voting, cumulative and accrues dividends equal generally to the greater of $10 per share or one hundred times the aggregate per share amount of all common stock dividends. No shares of Preferred Stock-Fourth Series were issued or outstanding at December 31, 1994. The Rights may be redeemed by Sprint at a price of one cent per Right and will expire on September 8, 1999.

During 1994, 1993 and 1992, Sprint declared and paid annual dividends on common stock of $1.00 per share, and Centel declared pre-merger (see Note 9) common stock dividends of $0.15 and $0.90 per share during 1993 and 1992, respectively. The most restrictive covenant applicable to dividends on common stock results from the $1.1 billion revolving credit agreement. Among other restrictions, this agreement requires Sprint to maintain specified levels of consolidated net worth, as defined. As a result of this requirement, $1.67 billion of Sprint's $2.73 billion consolidated retained earnings were effectively restricted from the payment of dividends as of December 31, 1994. The indentures and financing agreements of certain of Sprint's subsidiaries contain various provisions restricting the payment of cash dividends on subsidiary common stock held by Sprint. In connection with these restrictions, $792 million of the related subsidiaries' $1.78 billion total retained earnings is restricted as of December 31, 1994. The flow of cash in the form of advances from the subsidiaries to Sprint is generally not restricted.

7. Commitments and Contingencies

Litigation, Claims and Assessments

Following announcement of Sprint's merger with Centel (see Note 9), class action suits were filed against Centel and certain of its officers and directors in federal and state courts. The state suits have been dismissed, while the federal suits have been consolidated into a single action and seek damages for alleged violations of securities laws. In January 1995, a purported class action suit was filed against Centel's financial advisors in state court in New York in connection with the Sprint/Centel merger. Sprint may have indemnification obligations to the financial advisors in connection with this suit. Various other suits arising in the ordinary course of business are pending against Sprint. Management cannot predict the ultimate outcome of these actions but believes they will not result in a material effect on Sprint's consolidated financial statements.

Accounts Receivable Sold with Recourse

Under an agreement available through December 1995, Sprint may sell on a continuous basis, with recourse, up to $600 million of undivided interests in a designated pool of its accounts receivable. Subsequent collections of receivables sold to investors are typically reinvested in the pool. Sprint is required to repurchase the designated pool of accounts receivable only upon the occurrence of specified events involving noncollectibility of accounts. As of December 31, 1994, Sprint had not been required to repurchase receivables under this recourse provision. Because Sprint retains credit losses associated with its accounts receivable, any exposure related to this retention is estimated in conjunction with Sprint's calculation of its reserve for uncollectible accounts. On a quarterly basis, subject to the approval of the investors, Sprint may extend the agreement for an additional 90 days. Receivables sold that remained uncollected as of December 31, 1994 and 1993 aggregated $600 million.

Commitments

See "Liquidity and Capital Resources" in "Review of Financial Position, Liquidity and Capital Resources" for a discussion of cash commitments associated with joint ventures.

Operating Leases

Minimum rental commitments as of December 31, 1994 for all non-cancelable operating leases, consisting principally of leases for data processing equipment and real estate, are as follows:

(in millions)	
1995	$316.7
1996	218.3
1997	141.0
1998	106.5
1999	85.6
Thereafter	260.9

Gross rental expense aggregated $387 million, $387 million and $385 million in 1994, 1993 and 1992, respectively. The amount of rental commitments applicable to subleases, contingent rentals and executory costs is not significant.

8. Regulatory Accounting

Consistent with most local exchange carriers, the local communications services division accounts for the economic effects of regulation pursuant to SFAS No.71. The application of SFAS No. 71 requires the accounting recognition of the rate actions of regulators where appropriate, including the recognition of depreciation and amortization based on estimated useful lives prescribed by regulatory commissions rather than those that might be utilized by non-regulated enterprises. Sprint currently believes the local communications services division's rate-regulated operations meet the criteria for the continued application of the provisions of SFAS No. 71. However, the local communications services division operates in an evolving environment in which the regulatory framework is changing and the level of competition is increasing. Accordingly, Sprint constantly monitors and evaluates the ongoing applicability of SFAS No. 71 by assessing the likelihood that prices which provide for the recovery of specific costs can continue to be charged to customers.

The approximate amount of Sprint's net regulatory assets at December 31, 1994 was between $450 million and $800 million, consisting primarily of property, plant and equipment and deferred postretirement benefit obligations, partially offset by deferred tax liabilities. The estimate for property, plant and equipment was calculated based upon a projection of useful remaining lives which are affected by the development of competition, changes in regulation, and the expansion of broadband services to be offered to customers.

9. Sprint/Centel Merger

Effective March 9, 1993, Sprint consummated its merger with Centel, a telecommunications company with local exchange and cellular and wireless communications services operations. Pursuant to the Agreement and Plan of Merger dated May 27, 1992, Sprint issued 1.37 shares of its common stock in exchange for each outstanding share of Centel common stock, or approximately 119 million shares. The transaction costs associated with the merger (consisting primarily of investment banking and legal fees) and the expenses of integrating and restructuring the operations of the two companies (consisting primarily of employee severance and relocation expenses and costs of eliminating duplicative facilities) resulted in nonrecurring charges of $259 million, which reduced 1993 income from continuing operations by $172 million ($0.50 per share).

The merger was accounted for as a pooling of interests. Accordingly, the accompanying consolidated financial statements were retroactively restated in 1993 for the year ended December 31, 1992 to include the results of operations, financial position and cash flows of Centel. In addition, the accompanying consolidated financial statements reflect the elimination of significant, recurring intercompany transactions and certain adjustments to conform the accounting policies of the two companies.

10. Additional Financial Information

Segment Information

Information related to Sprint's operating business segments is included in the tables in "Review of Segmental Results of Operations." The net operating revenues and operating expenses shown in such tables include revenues and expenses eliminated in consolidation totaling $367 million, $307 million and $285 million for the years ended December 31, 1994, 1993 and 1992, respectively. Sprint incurred capital expenditures of $57 million, $46 million and $29 million for the years ended December 31, 1994, 1993 and 1992, respectively, and had identifiable assets of $472 million, $506 million and $329 million at December 31, 1994, 1993 and 1992, respectively, not attributable to segmental operations. Additionally, Sprint incurred $51 million of merger, integration and restructuring costs not attributable to its segmental operations for the year ended December 31, 1993.

Realignment and Restructuring Charge

During 1993, Sprint initiated a realignment and restructuring of its long distance communications services division, including the elimination of approximately 1,000 positions and the closure of two facilities. These actions resulted in a nonrecurring charge of $34 million, which reduced income from continuing operations by $21 million ($0.06 per share).

Divestiture of Telephone Properties

In April 1992, the sale of Centel's local telephone operations in Ohio was completed, pursuant to a definitive agreement reached in November 1991. Proceeds from the sale aggregated $129 million, including $114 million of cash and $15 million of assumed debt; a gain of $44 million ($0.13 per share), net of related income taxes, was realized on the sale.

Concentrations of Credit Risk

Sprint's accounts receivable are not subject to any concentration of credit risk. Interest rate swap agreements and foreign currency contracts involve the risk of dealing with counterparties and their ability to meet the terms of the contracts. Notional principal amounts often are used to express the volume of these transactions, but the amounts subject to credit risk are significantly smaller. In the event of non-performance by the counterparties, Sprint's accounting loss would be limited to the net amount that it would be entitled to receive under the terms of the applicable interest rate swap agreement or foreign currency contract. However, Sprint does not anticipate non-performance by any of the counterparties with which it has such agreements. Sprint controls the amount of credit risk as well as the concentration of credit risk of its interest rate swap agreements and foreign currency contracts through credit approvals, dollar exposure limits, and internal monitoring procedures.

Financial Instruments

Sprint estimates the fair value of its financial instruments using available market information and appropriate valuation methodologies. Accordingly, the estimates presented herein are not necessarily indicative of the values Sprint could realize in a current market exchange. Although management is not aware of any factors that would affect the estimated fair value amounts presented as of December 31, 1994, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and therefore, estimates of fair value subsequent to that date may differ significantly from the amounts presented herein. The carrying amounts and estimated fair values of Sprint's financial instruments, as of December 31, are as follows:

(in millions)	1994 Carrying Amount	1994 Estimated Fair Value	1993 Carrying Amount	1993 Estimated Fair Value
Financial assets				
Cash and cash equivalents	**$ 123.3**	**$ 123.3**	$ 76.8	$ 76.8
Investments in equity securities	**177.6**	**177.6**	303.3	303.3
Financial liabilities				
Long-term debt				
Corporate	**2,139.3**	**2,170.5**	2,109.2	2,377.2
Long distance communications services	**223.1**	**222.1**	423.4	447.8
Local communications services	**2,098.7**	**1,966.4**	2,128.2	2,342.5
Other	**476.1**	**488.2**	433.6	534.6
Off-balance sheet instruments				
Interest rate swap agreements	**—**	**2.6**	—	(1.7)
Foreign currency contracts	**—**	**(0.4)**	—	(0.3)

The carrying values of Sprint's cash equivalents approximate fair value as of December 31, 1994 and 1993. The fair value of Sprint's investments in equity securities are estimated by reference to quoted market prices. The fair values of Sprint's long-term debt are estimated based on quoted market prices for publicly-traded issues, and based on the present value of estimated future cash flows using a discount rate commensurate with the risks involved for all other issues. The fair value of interest rate swap agreements is estimated as the cost that Sprint would receive (pay) to terminate the swap agreements at December 31, 1994 and 1993, taking into account the then-current interest rates. The fair value of foreign currency contracts is estimated as the replacement cost of the contracts at December 31, 1994 and 1993, taking into account the then-current foreign currency exchange rates.

Interest Rate Swap Agreements

Interest rate swap agreements are utilized by Sprint as part of its interest rate risk management program. Net interest paid or received related to such agreements is recorded using the accrual method and is recorded as an adjustment to interest expense. At December 31, 1994 and 1993, Sprint had outstanding $125 million notional amount of interest rate swap agreements. Net interest expense (income) related to interest rate swap agreements was $1 million, $2 million, and ($400,000) for the years ended December 31, 1994, 1993 and 1992, respectively. There were no deferred gains or losses relating to any terminated interest rate swap agreements recorded at December 31, 1994, 1993 and 1992.

Foreign Currency Contracts

As part of its foreign currency exchange risk management program, Sprint purchases and sells over-the-counter forward contracts and options in various foreign currencies. Sprint had outstanding approximately $13 million and $4 million of open forward contracts to buy various foreign currencies at December 31, 1994 and 1993, respectively. Sprint also had outstanding approximately $1 million and $6 million of open forward contracts to sell various foreign currencies at December 31, 1994 and 1993, respectively. There were no foreign currency option contracts outstanding at December 31, 1994 or 1993. The forward contracts open at December 31, 1994 all had an original maturity of six months or less. The net gain or loss recorded to reflect the cash paid or received upon settlement of such contracts is recorded in the period incurred. Total net losses of $2 million and $1 million were recorded related to foreign currency transactions and contracts for the years ended December 31, 1994 and 1993, respectively.

At December 31, 1994 and 1993, Sprint had foreign currency translation gains of $1 million and $2 million, respectively, included in "Other, net" in the Consolidated Statements of Common Stock and Other Shareholders' Equity.

Management Report

The management of Sprint Corporation has the responsibility for the integrity and objectivity of the information contained in this Annual Report. Management is responsible for the consistency of reporting such information and for ensuring that generally accepted accounting principles are used.

In discharging this responsibility, management maintains a comprehensive system of internal controls and supports an extensive program of internal audits, has made organizational arrangements providing appropriate divisions of responsibility and has established communication programs aimed at assuring that its policies, procedures and codes of conduct are understood and practiced by its employees.

The consolidated financial statements included in this Annual Report have been audited by Ernst & Young LLP, independent auditors. Their audit was conducted in accordance with generally accepted auditing standards and their report is included herein.

The responsibility of the Board of Directors for these financial statements is pursued primarily through its Audit Committee. The Audit Committee, composed entirely of directors who are not officers or employees of Sprint, meets periodically with the internal auditors and independent auditors, both with and without management present, to assure that their respective responsibilities are being fulfilled. The internal and independent auditors have full access to the Audit Committee to discuss auditing and financial reporting matters.

William T. Esrey
Chairman, President and Chief Executive Officer

Arthur B. Krause
Executive Vice President and
Chief Financial Officer

Report of Independent Auditors

The Board of Directors and Shareholders
Sprint Corporation

We have audited the accompanying consolidated balance sheets of Sprint Corporation (Sprint) as of December 31, 1994 and 1993, and the related consolidated statements of income, cash flows, and common stock and other shareholders' equity for each of the three years in the period ended December 31, 1994, appearing on pages 29, 34, 37, and 39 through 50. These financial statements are the responsibility of the management of Sprint. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Centel Corporation, a wholly-owned subsidiary, for the year ended December 31, 1992, which statements reflect net income constituting approximately 9 percent of consolidated net income for the year ended December 31, 1992. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for Centel Corporation, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sprint at December 31, 1994 and 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Notes 1, 2 and 3 to the consolidated financial statements, Sprint changed its method of accounting for postretirement benefits, postemployment benefits and circuit activity costs in 1993 and income taxes in 1992.

Ernst + Young LLP

Kansas City, Missouri
January 31, 1995

QUARTERLY FINANCIAL DATA

(unaudited)

(in millions, except per share data)	First Quarter 1994	First Quarter 1993
Net operating revenues	**$3,033.2**	$2,718.0
Operating expenses		
Costs of services and products	**1,528.4**	1,381.9
Selling, general and administrative	**724.2**	641.8
Depreciation and amortization	**352.3**	337.2
Merger, integration and restructuring costs[1],[2]	**—**	248.0
Total operating expenses	**2,604.9**	2,608.9
Operating income	**428.3**	109.1
Interest expense	**(101.1)**	(117.9)
Other income (expense), net[3]	**29.2**	(0.7)
Income (loss) from continuing operations before income taxes	**356.4**	(9.5)
Income tax provision[4]	**(129.0)**	(1.8)
Income (loss) from continuing operations	**227.4**	(11.3)
Discontinued operations, net	**—**	(12.3)
Extraordinary losses on early extinguishments of debt, net	**—**	(5.2)
Cumulative effect of changes in accounting principles, net[5]	**—**	(384.2)
Net income (loss)	**227.4**	(413.0)
Preferred stock dividends	**(0.7)**	(0.6)
Earnings (loss) applicable to common stock	**$ 226.7**	$ (413.6)
Earnings (loss) per common share		
Continuing operations	**$ 0.65**	$ (0.03)
Discontinued operations	**—**	(0.04)
Extraordinary item	**—**	(0.02)
Cumulative effect of changes in accounting principles	**—**	(1.12)
Total	**$ 0.65**	$ (1.21)

[1] During 1993, Sprint consummated its merger with Centel. The transaction costs associated with the merger and the expenses of integrating and restructuring the operations of the two companies resulted in nonrecurring charges in the first and third quarters of 1993. Such charges reduced net income by $165 million ($0.48 per share) and $7 million ($0.02 per share), respectively. See Note 9 of Notes to Consolidated Financial Statements for additional information.

[2] During third quarter 1993, Sprint realigned and restructured its long distance communications services division, resulting in a nonrecurring charge which reduced net income by $21 million ($0.06 per share). See Note 10 of Notes to Consolidated Financial Statements for additional information.

[3] During first quarter 1994, Sprint sold an investment in equity securities, realizing a gain of $35 million, which increased net income by $22 million ($0.06 per share).

[4] During third quarter 1993, the Revenue Reconciliation Act of 1993 was enacted which, among other changes, raised the federal income tax rate to 35 percent from 34 percent. As a result, Sprint adjusted its deferred income tax assets and liabilities to reflect the revised rate, resulting in a nonrecurring charge which reduced net income by $13 million ($0.04 per share). See Note 3 of Notes to Consolidated Financial Statements for additional information.

[5] Effective January 1, 1993, Sprint changed its method of accounting for postretirement and postemployment benefits by adopting SFAS No. 106 and No. 112 and effected another accounting change. See Notes 1 and 2 of Notes to Consolidated Financial Statements for additional information.

Second Quarter		Third Quarter		Fourth Quarter		Total Year	
1994	1993	1994	1993	1994	1993	1994	1993
$3,150.4	$2,800.9	$3,233.8	$2,867.6	$3,244.4	$2,981.3	$12,661.8	$11,367.8
1,574.4	1,408.9	1,615.0	1,435.1	1,643.2	1,510.2	6,361.0	5,736.1
752.8	675.9	781.7	690.8	775.9	721.4	3,034.6	2,729.9
366.4	338.0	366.8	338.5	392.9	345.0	1,478.4	1,358.7
—	—	—	44.5	—	—	—	292.5
2,693.6	2,422.8	2,763.5	2,508.9	2,812.0	2,576.6	10,874.0	10,117.2
456.8	378.1	470.3	358.7	432.4	404.7	1,787.8	1,250.6
(100.0)	(113.0)	(98.6)	(114.2)	(98.3)	(107.3)	(398.0)	(452.4)
(9.3)	(8.1)	(9.3)	(11.4)	(18.3)	(2.1)	(7.7)	(22.3)
347.5	257.0	362.4	233.1	315.8	295.3	1,382.1	775.9
(127.9)	(91.9)	(132.3)	(96.4)	(109.2)	(105.2)	(498.4)	(295.3)
219.6	165.1	230.1	136.7	206.6	190.1	883.7	480.6
—	—	—	—	7.0	—	7.0	(12.3)
—	(8.5)	—	(14.5)	—	(1.0)	—	(29.2)
—	—	—	—	—	—	—	(384.2)
219.6	156.6	230.1	122.2	213.6	189.1	890.7	54.9
(0.7)	(0.9)	(0.6)	(0.6)	(0.7)	(0.7)	(2.7)	(2.8)
$ 218.9	$ 155.7	$ 229.5	$ 121.6	$ 212.9	$ 188.4	$ 888.0	$ 52.1
$ 0.63	$ 0.48	$ 0.66	$ 0.39	$ 0.59	$ 0.55	$ 2.53	$ 1.39
—	—	—	—	0.02	—	0.02	(0.04)
—	(0.02)	—	(0.04)	—	—	—	(0.08)
—	—	—	—	—	—	—	(1.12)
$ 0.63	$ 0.46	$ 0.66	$ 0.35	$ 0.61	$ 0.55	$ 2.55	$ 0.15

BOARD OF DIRECTORS

DuBose Ausley is chairman of Macfarlane, Ausley, Ferguson & McMullen, a law firm in Tallahassee, Florida. He is also chairman of the Capital City Bank Group, Inc. Prior to becoming a Sprint director in 1993, Ausley had been a director of Centel Corporation since 1982. He is a member of the nominating and corporate responsibility and the pension and savings trusts committees.

Warren L. Batts is chairman and chief executive officer of Premark International, Inc., in Deerfield, Illinois. He has been a Sprint director since 1982. Batts is chairman of the finance committee and a member of the executive and the organization and compensation committees.

Ruth M. Davis is president and chief executive officer of The Pymatuning Group, Inc., in Alexandria, Virginia. She has been a Sprint director since 1981. Davis is a member of the audit and the pension and savings trusts committees.

William T. Esrey is chairman and chief executive officer of Sprint. He joined Sprint in 1980 as executive vice president-corporate planning, was named president and chief executive officer in 1985 and became chairman and chief executive officer in 1990. He has been a Sprint director since 1985. Esrey is chairman of the board's executive committee.

Donald J. Hall is chairman of Hallmark Cards, Inc., in Kansas City, Missouri. He has been a Sprint director since 1986. Hall is a member of the audit and the organization and compensation committees.

Harold S. Hook is chairman and chief executive officer of American General Corporation, in Houston, Texas. He has been a Sprint director since 1982. Hook is a member of the finance and the pension and savings trusts committees.

Robert E. R. Huntley is counsel to Hunton & Williams, a law firm in Richmond, Virginia. Prior to becoming a Sprint director in 1993, he had been a director of Centel Corporation since 1975. Huntley is chairman of the audit committee and a member of the executive and the organization and compensation committees.

Ronald T. LeMay is president and chief operating officer of the long distance division of Sprint. Prior to that, he was executive vice president-corporate affairs of Sprint from 1987 to 1989. LeMay has been a Sprint director since 1993.

Linda Koch Lorimer is secretary of the university, Yale University, in New Haven, Connecticut. Prior to becoming a Sprint director in 1993, she had been a director of Centel Corporation since 1988. She is chairman of the pension and savings trusts committee and a member of the executive and the organization and compensation committees.

Charles H. Price II is chairman of the board of Mercantile Bank of Kansas City, in Kansas City, Missouri. He was the United States Ambassador to the United Kingdom of Great Britain and Northern Ireland from 1983 to 1989. Price has been a Sprint director since 1989. He is a member of the finance and the nominating and corporate responsibility committees.

Frank E. Reed is president and chief executive officer of Philadelphia National Bank, in Philadelphia, Pennsylvania. Prior to becoming a Sprint director in 1993, he had been a director of Centel Corporation since 1978. He is a member of the audit and finance committees.

Charles E. Rice is chairman and chief executive officer of Barnett Banks, Inc., in Jacksonville, Florida. He has been a Sprint director since 1975. Rice is chairman of the nominating and corporate responsibility committee and a member of the audit and executive committees.

Stewart Turley is chairman and chief executive officer of Eckerd Corporation, in Clearwater, Florida. He has been a Sprint director since 1980. Turley is chairman of the organization and compensation committee and a member of the executive and the nominating and corporate responsibility committees.

PRINCIPAL CORPORATE OFFICERS

William T. Esrey
Chairman and Chief Executive Officer

Ronald T. LeMay
President and Chief Operating Officer Long Distance Division

D. Wayne Peterson
President and Chief Operating Officer Local Telecommunications Division

Dennis E. Foster
President and Chief Operating Officer Cellular and Wireless Division

J. Richard Devlin
Executive Vice President Law and External Affairs

Arthur B. Krause
Executive Vice President Chief Financial Officer

Gene M. Betts
Senior Vice President Corporate Finance

John P. Meyer
Senior Vice President Controller

Theodore H. Schell
Senior Vice President Strategic Planning & Corporate Development

Richard C. Smith, Jr.
Senior Vice President Quality Development & Public Relations

M. Jeannine Strandjord
Senior Vice President Treasurer

I. Benjamin Watson
Senior Vice President Human Resources

Don A. Jensen
Vice President Secretary

OPERATING COMPANY OFFICERS

Long Distance Division

Robba L. Benjamin
President Multimedia and Strategic Services

Kevin E. Brauer
President Business Services Group

George N. Fuciu
Senior Vice President Network and Information Systems

William J. Gunter
Senior Vice President Finance

John R. Hoffman
Senior Vice President External Affairs

Christopher J. Rooney
President Sprint International

David R. Schmieg
Senior Vice President Staff Operations

Thomas E. Weigman
President Consumer Services Group

Local Telecommunications Division

Dale L. Cross
President and Chief Executive Officer Sprint/United Telephone-Eastern

Michael B. Fuller
President and Chief Executive Officer Sprint/United Telephone-Midwest

J. Darrell Kelley
President Sprint/United Telephone-Florida Sprint/Centel-Florida

A. Allan Kurtze
Senior Vice President-Operations

Steven L. McMahon
President Sprint/United Telephone-Northwest

Randy W. Osler
President Sprint/United Telephone-North Central Sprint/Centel-Illinois

Dianne M. Ursick
President Sprint/Central Telephone-Nevada

Cellular & Wireless

George N. Hutton IV
Executive Vice President-Operations

Product Distribution/ Directory Publishing

William G. Obermayer
President Sprint/North Supply

Robert J. Walsh
President Sprint Publishing & Advertising

Sprint/Cable Venture

(with Tele-Communications, Inc., Comcast Corporation, Cox Communications, Inc.)

Gary D. Forsee
Interim Chief Executive Officer

SHAREHOLDER INFORMATION

Annual Meeting: The Annual Meeting will be held Tuesday, April 18, 1995 at the world headquarters. Formal notice of the Sprint annual meeting, proxy statement and proxy will be mailed to shareholders on or about March 9, 1995.

Common Stock Dividends: Dividends on Sprint common stock, declared by the Board of Directors, are usually paid quarterly at the end of March, June, September and December. The exact record dates and payment dates are set by the Board of Directors. The last quarterly dividend payment in the Fourth Quarter 1994 was 25 cents per share, or an indicated annual dividend of $1.00 per common share.

Automatic Dividend Reinvestment Plan: Sprint offers a dividend reinvestment and stock purchase plan to registered shareholders at no commission or handling charge for purchases made with reinvested dividends and/or optional cash payments. Upon request, shareholders may obtain information about the plan from Shareholder Relations at the corporate headquarters.

Form 10-K: Copies of Sprint's Annual Report on Form 10-K to the Securities and Exchange Commission may be obtained by shareholders without charge from the Investor Relations Department at the corporate headquarters.

Investor Inquiries: Security analysts, shareholders and investment professionals should direct inquiries regarding Sprint and its business to Investor Relations at the corporate headquarters. Copies of the investor supplement to the Annual Report are available upon request through Investor Relations.

Shareholder Inquiries: Inquiries regarding stock transfers, lost certificates, direct deposit of dividends or address changes should be directed to the stock transfer agent, UMB Bank, n.a. at their address.

COMMON STOCK DATA

	Market Price Per Share					
	1994			1993		
	High	Low	End of Period	High	Low	End of Period
1st Quarter	38 1/8	32 1/2	34 1/4	31 3/4	25 1/2	30 1/2
2nd Quarter	40 1/8	33 1/4	34 7/8	35 3/8	29 1/2	35 1/8
3rd Quarter	40 1/8	34 1/8	38 1/8	37 1/2	33 1/2	36 3/4
4th Quarter	38 7/8	26 1/8	27 5/8	40 1/4	31 3/8	34 3/4

World Headquarters
2330 Shawnee Mission Parkway
Westwood, Kansas 66205

Mailing Address:
Post Office Box 11315
Kansas City, Missouri 64112

Telephone: (913) 624-3000
(800) 829-0965

Quarterly Financial Information
As a cost-saving measure, Sprint will not publish quarterly financial reports in 1995. Shareholders, however, can receive a faxed or mailed copy of the quarterly financial results upon request through Sprint's toll-free Shareholder Information Line. Shareholders can dial **1-800-284-6977** to hear a recorded report on Sprint's financial performance and request a copy of printed quarterly results.

Investor Relations (913) 624-3344

Shareholder Relations (913) 624-2541

Auditors
Ernst & Young LLP, Kansas City, Missouri

***Stock Transfer* Agent, Registrar and Dividend Paying Agent**
UMB Bank, n.a.
Post Office Box 410064
Kansas City, Missouri 64141-0064
(816) 860-7786

Co-Transfer Agent and Registrar
Chemical Bank
New York, New York

Dividend Reinvestment Agent
UMB Bank, n.a.
Kansas City, Missouri

Stock Exchange Listings
Common Stock
New York Stock Exchange
Chicago Stock Exchange
Pacific Stock Exchange
Convertible Preferred Stock
New York Stock Exchange

Stock Symbol FON

HOW TO REACH US

We want you to be our customer. To order Sprint long distance residential service call 1-800-PIN DROP (746-3767). To order long distance business service, call 1-800-877-2000. To order long distance service for the deaf and hard of hearing, call 1-800-773-4327.

SPRINT WORLDWIDE HEADQUARTERS

Post Office Box 11315
Kansas City, MO 64112 U.S.A.
(913) 624-3000

SPRINT'S LONG DISTANCE DIVISION

Business Services Group
(Business, government and hospitality customers)

Business Sales
3100 Cumberland Circle
Atlanta, GA 30339
(404) 859-5000

Business Marketing
8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000

Business Operations and Government Systems Division
13221 Woodland Park Road
Herndon, VA 22071
(703) 904-2000

Hospitality Group
925 Dillingham Boulevard
Honolulu, HI 96817-4506
(808) 847-2121

Consumer Services Group
(Residential customers)
8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000

Multimedia
(Telemedia, Video and Messaging)
8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000

Sprint International
(International customers)
12490 Sunrise Valley Road
Reston, VA 22096
(703) 689-6000

SPRINT'S LOCAL TELECOMMUNICATIONS DIVISION

Sprint/United Telephone-Eastern
1201 Walnut Bottom Road
Carlisle, PA 17013
(717) 245-6312

Sprint/United Telephone-Florida
Sprint/Centel-Florida
555 Lake Border Drive
Apopka, FL 32703
(407) 889-6000

Sprint/Mid-Atlantic Telecom
14111 Capital Boulevard
Wake Forest, NC 27587
(919) 554-7900

Sprint/United Telephone-Midwest
5454 West 110th Street
Overland Park, KS 66211
(913) 345-7600

Sprint/Central Telephone-Nevada
330 South Valley View Boulevard
Las Vegas, NV 89152
(702) 877-7171

Sprint/United Telephone-North Central
Sprint/Centel-Illinois
665 Lexington Avenue
Post Office Box 3555
Mansfield, OH 44907
(419) 755-8011

Sprint/United Telephone-Northwest
902 Wasco Street
Hood River, OR 97031
(503) 386-2211

SPRINT'S CELLULAR AND WIRELESS DIVISION

Sprint Cellular
8725 W. Higgins Road
Chicago, IL 60631
(312) 399-2644

PRODUCT DISTRIBUTION AND PUBLISHING SUBSIDIARIES

Sprint/North Supply
600 Industrial Parkway
Industrial Airport, KS 66031
(913) 791-7000

Sprint Publishing & Advertising
7015 College Boulevard
Suite 400
Overland Park, KS 66211
(913) 491-7000

Printed entirely on recycled paper meeting or exceeding the Environmental Protection Agency minimum requirements for recycled stock.

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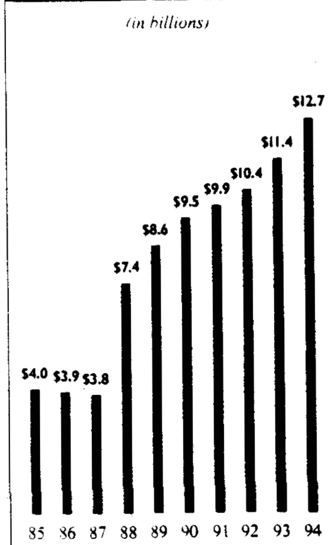
Sprint

Post Office Box 11315
Kansas City, Missouri 64112

NET OPERATING REVENUES
1985-1994



Sprint's revenues have tripled since 1985, as the company expanded in local markets and diversified into long distance and wireless communications.

EXHIBIT B

Copy of Sprint's Form 10K filed with the Securities and Exchange Commission on March 31, 1995.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended December 31, 1994

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from ____________ to ____________

Commission file number 1-4721

SPRINT CORPORATION
(Exact name of registrant as specified in its charter)

KANSAS (State or other jurisdiction of incorporation or organization)	48-0457967 (IRS Employer Identification No.)
P.O. Box 11315, Kansas City, Missouri (Address of principal executive offices)	64112 (Zip Code)

Registrant's telephone number, including area code (913) 624-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Preferred Stock, without par value	
First series, $7.50 stated value	New York Stock Exchange
Second series, $6.25 stated value	New York Stock Exchange
Common stock, $2.50 par value, and Rights (shares outstanding at February 1, 1995, 348,326,042)	New York Stock Exchange Chicago Stock Exchange Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of voting stock held by non-affiliates at February 1, 1995 is $9,933,174,704.

Documents incorporated by reference.

Registrant's definitive proxy statement to be filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, which definitive proxy statement is anticipated to be filed within 120 days after the end of Registrant's fiscal year ended December 31, 1994, is incorporated by reference in Part III hereof.

EXHIBIT C

List of the current officers and directors of ASC.

ASC TELECOM, INC.

DIRECTORS

Richard H. Kalbrener

Eric P. Tom

OFFICERS

Richard H. Kalbrener	President
John P. Meyer	Vice President and Controller
M. Jeannine Strandjord	Vice President and Treasurer
Eric P. Tom	Vice President
Michael T. Hyde	Secretary
Michael D. Gardner	Assistant Secretary
Glenn Yamashita	Assistant Secretary

EXHIBIT D

ASC proposed tariffs.

Tariff Schedule

Applicable To

Interexchange Telephone Communications

of

ASC Telecom, Inc.

8140 Ward Parkway
Kansas City, Missouri 64114-2006

CHECK SHEET

* Asterisk indicates changes in current tariff filing. Current sheets in this tariff are as follows.

Page	Revision
Title	Original
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original

TABLE OF CONTENTS

EXPLANATION OF SYMBOLS

When changes are made on any tariff page, a revised page will be issued canceling the tariff page affected; such changes will be identified through the use of the following symbols:

(C) - To signify changed regulation or rate.

(D) - To signify the Deletion/Discontinuance of rates, regulations, and/or text.

(I) - To signify an Increase.

(M)- To signify matter Moved/Relocated within the tariff with no change to the material.

(N) - To signify New text, regulation, service, and/or rates.

(R) - To signify a Reduction.

(T) - To signify a Text Change in tariff, but no change in rate or regulation.

The above symbols will apply except where additional symbols are identified at the bottom of an individual page.

1. APPLICATION OF TARIFF

This tariff contains the regulations and rates applicable for the furnishing of telecommunications services provided by ASC Telecom, Inc. between and among points within the state.

Michael Gardner- Manager
8140 Ward Parkway
Kansas City, Missouri 64114-2006

2. TERMS AND CONDITIONS

2.1 DEFINITIONS

Certain terms used generally throughout this tariff for services furnished by the Carrier are defined below.

Carrier - Company

The terms "Carrier and Company" refer to ASC Telecom, Inc. unless they refer specifically to the Local Exchange Company (LEC).

Day

The term "Day" denotes 8:00 a.m. to 4:59 p.m. local time at the originating terminal on Monday through Friday.

End User

Any person, firm, corporation, partnership or other entity which uses the services of the Carrier under the provisions oand regulations of this tariff. The End User is responsible for payment unless the charges for the services utilized are accepted and paid by another Customer.

Evening

The term "Evening" denotes 5:00 p.m. to 10:59 p.m. local time at the originating terminal on Sunday through Friday.

Holidays

The term "Holidays" denotes all Carrier specified holidays as follows: New Year's Day, President's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Holiday rates are equal to the Evening rates for the time period 8:00 a.m. to 10:59 p.m. and are at the Night rates from 11:00 p.m. to 7:59 a.m. on Monday through Friday. If the Holiday falls on a Saturday or Sunday, the Friday preceding the Holiday or the Monday following the Holiday is rated at ASC Telecom, Inc. Holiday rates.

Night

The term "Night" denotes 11:00 p.m. to 7:59 a.m. local time at the originating terminal on Monday through Friday, any time on Saturday, Sunday 8:00 a.m. to 4:59 p.m. and 11:00 p.m. to 7:59 a.m.

2. TERMS AND CONDITIONS (Continued)

2.2 UNDERTAKING OF THE CARRIER

ASC Telecom, Inc. undertakes to provide 24-hour intrastate, interstate and international long distance telephone service, subject to the availability of facilities, in accordance with the terms and conditions set forth in this tariff.

2. TERMS AND CONDITIONS (Continued)

2.3 LIMITATION OF LIABILITY

.1 Liability of the Carrier

The liability of Carrier, if any, for damages arising out of mistakes, omissions, interruptions, delays, errors, or defects in transmission during the course of furnishing service shall in no event exceed an amount equivalent to the charge to Customer for the service during which such mistakes, omissions, interruptions, delay, errors, or defects in transmission occurred. However, any such mistakes, omissions, interruptions, delays, errors, or defects in transmission or service which are caused by or contributed to by the negligence or willful act of customer, or which arise from facilities or equipment used by Customer, shall not result in the imposition of any liability whatsoever upon Carrier. Carrier is not liable for the quality of service provided by any local exchange carrier. Carrier is not liable for any act, omission or negligence of any local exchange carrier or other provider whose facilities are used in furnishing any portion of the service received by Customer. Under no circumstances whatever shall Carrier or its officers, agents, or employees be liable for indirect, incidental, special or consequential damages. Carrier shall not be liable for any failure of performance hereunder due to causes beyond its control, including but not limited to civil disorders, labor problems, and fire, flood, atmospheric conditions or other phenomena of nature, such as radiation. In addition, Carrier shall not be liable for any failure of performance hereunder due to necessary network reconfiguration, system modifications due to technical upgrades, or regulations established or actions taken by any court or government agency having jurisdiction over Carrier.

.2 Overpayment

The Carrier shall not be obligated to refund any overpayment by a user unless a written claim for such overpayment, together with substantiating evidence which will allow Carrier to verify such claim, is submitted within two (2) years from the date of the alleged overpayment.

.3 Disclaimer of Warranties

Except as expressly provided in this tariff, Carrier makes no understanding, agreements, representations or warranties, expressed or implied (including any regarding the merchantability or fitness for a particular purpose).

.4 Refunds for Interruption or Impairment to Carrier Service

It shall be the obligation of the customer to immediately notify the Carrier of any service interruption.

2. TERMS AND CONDITIONS (Continued)

2.4 USE OF SERVICE

Neither subscribers nor their authorized users may use the services furnished by the Carrier for any unlawful purpose.

2.5 CUSTOMER APPLICATION FOR SERVICE

Service requests will be honored by telephone and/or through telephone confirmation with the local exchange company.

2.6 ESTABLISHMENT OF CREDIT

Carrier reserves the right to examine the credit record and check the references of all applicants and customers.

2.7 DEPOSITS AND ADVANCE PAYMENTS

Carrier does not collect deposits or advance payments at this time.

2.8 RENDERING AND PAYMENT OF BILLS

.1 Billing periods are monthly.

.2 The billing date is dependent on the billing cycle assigned to the customer.

.3 Bills are due and payable as the Local Exchange Carrier dictates. Additional fees for late payment may be assessed as determined by the Local Exchange Carrier.

.4 Bills may be paid by mail or in person at the business offices of the Local Exchange Carrier. All charges for service are payable only in United States currency. Payment may be made by cash, check, money order, or cashier's check.

.5 Carrier is not responsible for local telephone charges incurred by Customer in gaining access to Carrier's network.

.6 Connection fees and usage and monthly access fees are billed in arrears.

.7 The customer will be billed for and is liable for payment of all applicable federal, state and local taxes and surcharges.

2. TERMS AND CONDITIONS (Continued)

2.9 DISCONTINUANCE OF SERVICE

Service continues to be provided until canceled, by Customer, in writing, or until canceled by Carrier as set forth below.

.1 Cancellation by Customer - Customer may have service discontinued 30 days after giving notice to Carrier. Carrier will hold customer responsible for payment of all bills for service furnished until the cancellation date specified by the customer or until 30 days after the cancellation notice is received.

.2 Cancellation by Carrier - Carrier may immediately discontinue service or cancel any application for service without incurring any liability when there is an unpaid bill for any sum due to the Carrier for service that is more than 30 days beyond the date of issue.

2.10 CONTINUITY OF SERVICE

In the event of foreknowledge of an interruption of service for a period exceeding 24 hours, the customer will be notified in writing, by mail, at least one week in advance.

2.11 ADJUSTMENTS FOR MUNICIPALITY PAYMENTS

When any municipality, or other political subdivision or local agency of government imposes upon and collect from the Carrier a gross receipts tax, occupation tax, license tax, permit fee, franchise fee or any such other tax, such taxes and fees shall, insofar as practicable, be billed pro rata to the Carrier's customers receiving service within the territorial limits of such municipality, other political subdivision or local agency of government.

2.12 Demonstration of Calls

From time to time the company shall demonstrate service by providing free test calls of up to four minutes duration over its network.

2.13 FEES

No fees are collected from the end user in addition to the charges as specified in Section 4.

2. TERMS AND CONDITIONS (Continued)

2.14 Commissions

No commissions are collected from the end user in addition to the charges specified in Section 4.

2.15 Aggregator Surcharges

At the option of the Aggregator, a per-call Aggregator Surcharge may apply for use of the Aggregator's telecommunications facilities and equipment. Surcharge amount is listed in Section 4.2.3. No other charge beyond the rates listed in Section 4.2 of this tariff are billed to the end-user by ASC Telecom Inc. for calls made using the company's service

3. SERVICE AND RATE DESCRIPTION

.1 ASC Telecom Debit Card Service

The ASC Telecom Debit Card allows customers to pay a fixed dollar amount in advance for long distance calling over ASC Telecom's network. Customers use an "800" number for access from touch tone phones. Customers can place domestic and international direct dial calls using the service. Cards are decremented for each minute or fractional minute of use as set forth below. As calls are placed, charges for the call are deducted on a real time basis until the full amount of the card is exhausted. Customers will be notified in advance of the exhaustion of the card. An expiration date, if applicable, is printed on the card. The rates paid by the customer until the card is exhausted are the rates in effect at the time the card is purchased. Debit Card accounts may be replenished at the rates specified for replenished cards.

The following types of calls may not be completed using the ASC Debit Card:

* calls to 700, 800, and 900 numbers
* calls to directory assistance
* operator assisted calls
* conference calls
* calls requiring time and/or charges

The ASC Debit Card is available twenty-four hours a day, seven days a week. The cards will be offered to customers on a first serve basis and may be offered in conjunction with other ASC products.

3. SERVICE AND RATE DESCRIPTION (Continued)

.1 ASC Telecom Debit Card Service (Continued)

.1 Original Purchase Debit Card Accounts

An ASC Telecom Debit Card account is established upon receipt of payment by the Company. When an original purchase account is established, the Company will assign an Account Code/Authorization Code to the account. The Company reserves the right to determine the acceptable types of payment. Original purchase accounts are available for use at the rates as set forth in section 4 of this tariff.

1 intrastate minute of use = 1 unit

(intrastate minutes of use unit equivalency and rate per minute may vary)

.2 Replenishment of Debit Card Accounts

An ASC Telecom Debit Card account may replenished via an "800" number. To replenish an existing Debit Card account, the customer must use a commercial credit card. The Company reserves the right to determine the acceptable types of credit cards. Replenished accounts are available for use at the rates as set forth in Section 4 of this tariff.

3. SERVICE AND RATE DESCRIPTION (Continued)

.2 Operator Services

.1 Description of Service

Operator Services are available from specific locations within the state, for a charge.

Access to Operator Service can be obtained by the following dialing methods.

- "00" from a telephone subscribed to ASC in a FGD area.
- "0 + (NPA-NXX-XXXX)" from a telephone subscribed to ASC in a FGD area.

The Directory Assistance Call Completion Charge applies to both ASC and non-ASC subscribers who access a ASC operator and request the operator to obtain a telephone number from D.A. and then have the operator complete the call to the requested number.

NOTE: If a ASC operator completes a call to the requested number, the Directory Assistance Call Completion Call Placement Charge (plus ASC usage charges) is applicable in lieu of a D.A. surcharge. When the call is not completed to the called party by the ASC Operator, the Station-to-Station Call Placement Charge and D.A. surcharge will apply.

4. USAGE RATES

.1 ASC Telecom Debit Card Service

.1 Original Purchase Debit Card Accounts

Card Value	Usage Rate
$05.00	$.00
$10.00	$.00
$20.00	$.00
$50.00	$.00

.1 Replenishment of Debit Card Accounts

Card Value	Usage Rate
$05.00	$.00
$10.00	$.00
$20.00	$.00
$50.00	$.00

4. USAGE RATES (Continued)

.2 Operator Services

Operator Services are available twenty-four (24) hours a day, seven (7) days a week. Calls that begin in one rate period and terminate in another rate period will be prorated accordingly.

.1 Per-Minute Usage Rates*

	Initial Minute			Additional Minute		
Mileage	Day	Evening	Night/ Weekend	Day	Evening	Night/ Weekend
0-10	.0000	.0000	.0000	.0000	.0000	.0000
11-22	.0000	.0000	.0000	.0000	.0000	.0000
23-55	.0000	.0000	.0000	.0000	.0000	.0000
56-124	.0000	.0000	.0000	.0000	.0000	.0000
125-292	.0000	.0000	.0000	.0000	.0000	.0000
293+	.0000	.0000	.0000	.0000	.0000	.0000

*Each fractional call is rounded up to the next minute.

.2 Call Placement Charges

Call placement charges apply in addition to the Operator Services per-minute usage rates above.

	Per-Call Charge
Operator Dialed*	$0.00
Person-to-Person	$0.00
Station-to-Station	$0.00
LEC Calling Card Automated**	$0.00
LEC Calling Card Operator Assisted**	$0.00
Directory Assistance	$0.00

*Applies in addition to all Station-to-Station, Person-to-Person, and LEC Calling Card "00" calls.
**ASC Telecom, Inc. accepts only cards which it can identify as valid.

.3 Aggregate Surcharge

A pass through charge billed on behalf of the aggregator may be assessed to each call completed by ASC Telecom, Inc.

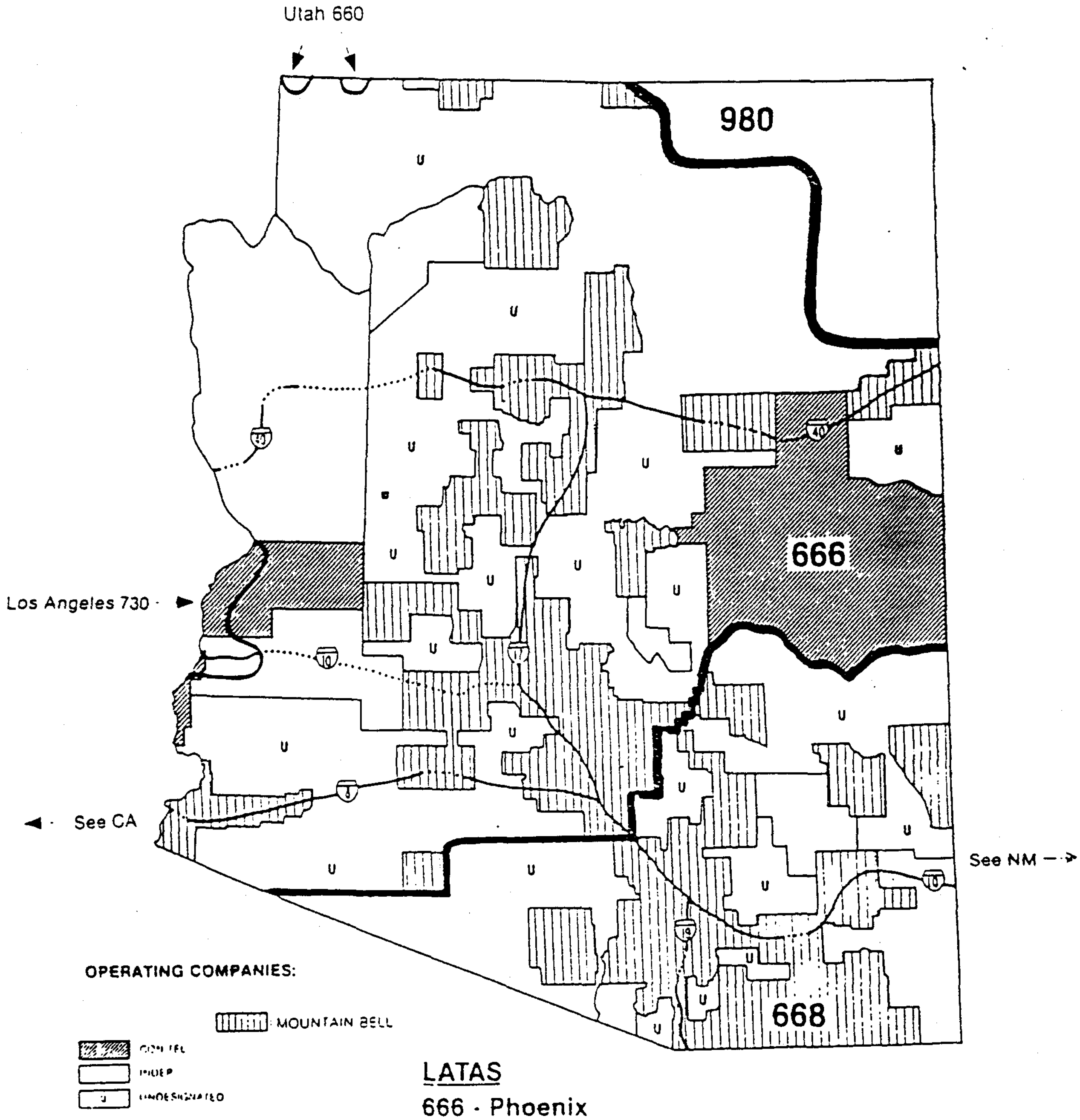
Per-Call Charge: $.0000

5. PROMOTIONAL OFFERINGS

The Carrier may from time to time engage in special promotional service offerings designed to attract new customers or to increase existing customer's awareness of a particular tariff offering. These offerings may be limited to certain dates, times and/or locations. Requests for specific limited duration promotional offerings will be presented to the Commission in accordance with the rules and regulations established by the Commission in the form of a letter to the Commission.

EXHIBIT E

A copy of a map of Arizona where ASC will provide intrastate interexchange services.



LATAS

666 - Phoenix

668 - Tucson

980 - Navajo Indian Reservation

EXHIBIT F

Arizona authorization to transact business and a Arizona certificate of Good Standing.

State of Arizona

OFFICE OF THE

CORPORATION COMMISSION

To all to Whom these Presents shall Come, Greeting:

I, the Executive Secretary of the Arizona Corporation Commission, DO HEREBY CERTIFY that

ASC TELECOM, INC.

a corporation organized under the laws of the jurisdiction of KANSAS, was on the 27th day of December, 19 94, authorized to transact business in the State of Arizona as a Foreign corporation.

I FURTHER CERTIFY that this corporation has filed all affidavits and annual reports and paid all annual filing fees required to date and, therefore, is in good standing in this State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 11th day of October, 19 95, A.D.

James Matthews

Executive Secretary

By cm allen

C/F: 0044 Rev. 10/93

ARIZONA CORPORATION COMMISSION

12/27/94

ABC TELECOM, INC.

We are pleased to notify you that your Application for Authority to transact business in Arizona was approved and filed on 12/27/94.

You must publish a copy of your Application for Authority WITHIN SIXTY (60) DAYS from the File Date. The publication must be in a newspaper of general circulation in MARICOPA County, for three (3) consecutive publications. An Affidavit from the newspaper, evidencing such publication, must be delivered to the Commission for filing WITHIN NINETY (90) DAYS from the File Date.

All corporations transacting business in Arizona are required to file an Annual Report with the Commission, no later than the 15th day of the fourth (4th) month following the close of each fiscal year. Your fiscal year end is 12/31/95. A preprinted Annual Report form will be mailed to you during that month.

If you have any questions or need further information, please contact us at (602)542-3135 or Toll Free (Arizona residents only) 1-800-345-5819.

Very truly yours,

CHRISTINE GARZA

Examiner Technician
Corporations Division
Arizona Corporation Commission

EXPEDITED
AZ CORP. COMMISSION
DELIVERED

DEC 2 7 1994

FILED BY Christine Ozuna
TERM ________
DATE 12/27
F-0736365-8

EXPEDITED
AZ CORP. COMMISSION
DELIVERED

DEC 2 1 1994

FILED BY
TERM Al Walker
DATE 12-21-94

APPLICATION FOR AUTHORITY

ASC TELECOM, INC.
Exact Corporate Name

TO: **ARIZONA CORPORATION COMMISSION**

PURSUANT TO THE PROVISIONS OF SECTIONS 10-110, 10-111 and 10-118, ARIZONA BUSINESS CORPORATION ACT, THE UNDERSIGNED CORPORATION HEREBY APPLIES FOR AUTHORITY TO TRANSACT BUSINESS IN ARIZONA.

FIRST: This application is:

X (1) An original application pursuant to A.R.S.Sec. 10-110.

_____ (2) An application for new authority pursuant to A.R.S. Sec. 10-118 as a result of:

_____ (a) A change in the corporation's name as set forth in the second paragraph.

_____ (b) A desire to pursue in this State different or additional purposes than those set forth in the corporation's prior Application for Authority as more fully described in the ninth paragraph herein.

SECOND: The name of the corporation is: ASC TELECOM, INC.

THIRD: If the name of the corporation does not contain the word "association", "bank", "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in ARIZONA is:

____

FISCAL YEAR END: 12/31

CF: 0024
Rev. 5 93

FOURTH: It is incorporated under the laws of Kansas

FIFTH: The date of its incorporation is 8/26/94

and the period of its duration is perpetual

SIXTH: The address of its principal office in the jurisdiction under the laws of the state or county in which it is incorporated is: 2330 Shawnee Mission Parkway, Westwood, KS 66205

SEVENTH: The address of the proposed known place of business in Arizona is:

☒ In care of Statutory Agent.

☐

EIGHTH: The name of the proposed statutory agent in Arizona is:

The Prentice-Hall Corporation System, Inc.

7037 North 11th Street, Phoenix, AZ 85020

NINTH: A brief statement of the character of the business which the corporation initially intends to conduct in Arizona and the purpose for which the corporation is organized is: to engage in the telecommunications business

and the transaction of all lawful business for which corporations may be incorporated under the Arizona Business Corporation Act.

TENTH: The names and respective addresses of its directors and officers are:

NAME	OFFICE	ADDRESS	DATE OF TAKING OFFICE
See attached			

ELEVENTH: The aggregate number of shares which it is authorized to issue, itemized by class, par value of shares, shares without par value, and series, if any, within a class is:

Number of Shares	Class	Series	Par Value Per Share or Statement That Shares Are Without Par Value
1,000	Common		$1.00

TWELFTH: The aggregate number of its issued shares, itemized by class, par value of shares, shares without par value, and series, if any, within a class is:

Number of Shares	Class	Series	Par Value Per Share or Statement That Shares Are Without Par Value
100	Common		$1.00

THIRTEENTH: The amount of its stated capital, as defined in the Arizona Business Corporation Act is:

$ 100.00 .

FOURTEENTH: The application is accompanied by a copy of its Articles of Incorporation and all amendments thereto, duly authenticated within 60 days of delivery of these documents, by the proper officer of the State or County under the laws of which it is incorporated.

FIFTEENTH: Has any person(s):(a) serving either by election or appointment as an officer, director or trustee, incorporator of the corporation, (b) controlling or holding 20% of the propriety, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked?

YES_____ NO X

If your answer to the above question is "YES", you MUST attach the following information for each such corporation:

1. Name and address of the corporation
2. Full name, including alias(es) and address(es) of each person or person(s) involved.
3. State(s) in which the corporation:
   (a) Was incorporated
   (b) Has transacted business
4. Dates of corporate operation
5. A description of the bankruptcy, receivership or charter revocation, including the date, the court agency involved, and the file or cause number of the case.

SIXTEENTH: Under penalties of law, I declare that I will comply with the provisions of A.R.S. Sec. 10-128.01.

Under penalties of law, I declare that I have examined this application and to the best of my knowledge and belief it is true, correct and complete.

ASC TELECOM, INC.
(CORPORATE NAME)

By: X
Vice President Eric P. Tom

By: X
Assistant Secretary Glenn Yamashita

The Prentice-Hall Corporation System, Inc. having been designated to act as Statutory Agent, hereby consent to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

By:
(Signature of Statutory Agent)

CF: 0024
Rev. 5/93

EXHIBIT G

Copies of the Kansas Articles of Incorporation and Bylaws of ASC TELECOM, INC.

STATE OF KANSAS

OFFICE OF
SECRETARY OF STATE Sep 13 12 18 PM '94
BILL GRAVES

To all to whom these presents shall come, Greetings:

I, Bill Graves, Secretary of State of the State of Kansas, do hereby certify that the attached is a true and correct copy of an original on file and of record in this office.

In testimony whereof:

I hereto set my hand and cause to be affixed my official seal. Done at the City of Topeka on the date below: AUG 26 1994

Bill Graves

BILL GRAVES
SECRETARY OF STATE

ARTICLES OF INCORPORATION
OF
ASC TELECOM, INC.

FIRST
Name

The name of the Corporation is ASC Telecom, Inc.

SECOND
Registered Office

The registered office of the Corporation in the State of Kansas is located at 534 South Kansas Avenue, Suite 1108, Topeka, Kansas 66603, County of Shawnee. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

THIRD
Nature of Business

The nature of the business or purposes to be conducted by the Corporation is:

To engage in the telecommunications business; and to engage in any lawful act or activity for which corporations may be organized under the General Corporation Code of the State of Kansas.

FOURTH
Stock

The total number of shares of stock which the Corporation shall have authority to issue is 1,000 shares of common stock, each of such shares of common stock to have a par value of One Dollar ($1.00) per share, and may be issued by the Corporation from time to time for such consideration as fixed from time to time by the Board of Directors.

Each stockholder of the Corporation shall be entitled to one vote for each share of stock held of record on the books of the Corporation.

'94 AUG 26 PM 3:24

SECRETARY OF STATE KANSAS

FIFTH
Incorporator

The name and mailing address of the incorporator is as follows:

Michael T. Hyde, 2330 Shawnee Mission Parkway, Westwood, Kansas 66205.

SIXTH
Existence

The Corporation shall have perpetual existence.

SEVENTH
Bylaws

The Board of Directors is authorized to make, alter or repeal the Bylaws of the Corporation.

EIGHTH
Meetings of Stockholders

Meetings of stockholders shall be held at such place, within or without the State of Kansas, as may be designated by or in the manner provided in the Bylaws, or, if not so designated, at the registered office of the Corporation in the State of Kansas.

NINTH
Limitation of Liability

No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty by such director as a director; provided, however, that this ARTICLE NINTH shall not eliminate or limit the liability of a director to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under K.S.A. 17-6424 and amendments thereto or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this ARTICLE NINTH shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

TENTH
Insolvency

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them or between this Corporation and its stockholders or any class of them, any court of competent jurisdiction within the State of Kansas, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of K.S.A. 17-6901 and amendments thereto, or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of K.S.A. 17-6808 and amendments thereto, may order a meeting of the creditors or class of creditors, or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement and the reorganization, if sanctioned by the court to which the application has been made, shall be binding on all the creditors or class of creditors, or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

ELEVENTH
Amendment

The Corporation reserves the right to amend, alter or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by statute, and all rights of stockholders herein are subject to this reservation.

THE UNDERSIGNED, being the incorporator above named, for the purposes of forming a corporation pursuant to the General Corporation Code of the State of Kansas, has signed this instrument on the 25th day of August, 1994, and does thereby acknowledge that it is his act and deed and that the facts stated therein are true.

Michael T Hyde
Michael T. Hyde

STATE OF KANSAS)
) SS:
COUNTY OF JOHNSON)

Be it remembered that on this 25th day of Aug., 1994 personally came before me Michael T. Hyde, party to the foregoing Certificate of Incorporation, known to me personally to be such, and acknowledged the said certificate to be his act and deed and that the facts stated herein are true; and that the signature of Michael T. Hyde is his own proper handwriting. Given under my hand and seal of office the day and year aforesaid.

Laura P. Wiltfong
Notary Public

LAURA P. WILTFONG
NOTARY PUBLIC
STATE OF KANSAS

My Commission Expires:
3-95

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ASC TELECOM, INC.

BYLAWS

ARTICLE ONE

STOCKHOLDERS

Section 1.1. Annual Meetings. An annual meeting of stockholders of the Corporation to elect directors and transact such other business as may properly be presented to the meeting shall be held at such place, within or without the State of Kansas, as the Board of Directors may from time to time fix, at 10:00 a.m., or such other time as may be designated by the Board of Directors, on the fourth Tuesday in August in each year or, if that day shall be a legal holiday in the jurisdiction in which the meeting is to be held, then on the next day not a legal holiday.

Section 1.2. Special Meetings. A special meeting of stockholders may be called at any time by the Board of Directors, the Executive Committee or the President and shall be called by any of them or by the Secretary upon receipt of a written request to do so specifying the matter or matters, appropriate for action at such a meeting, proposed to be presented at the meeting and signed by holders of record of a majority of the shares of stock that would be entitled to be voted on such matter or matters if the meeting were held on the day such request is received and the record date for such meeting were the close of business on the preceding day. Any such meeting shall be held at such time and at such place, within or without the State of Kansas, as shall be determined by the body or person calling such meeting and as shall be stated in the notice of such meeting.

Section 1.3. Notice of Meeting. For each meeting of stockholders written notice shall be given stating the place, date and hour, and in the case of a special meeting, the purpose or purposes for which the meeting is called and, if the list of stockholders required by Section 1.10 is not to be at such place at least 10 days prior to the meeting, the place where such list will be. Except as otherwise provided by Kansas law, the written notice of any meeting shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation.

Section 1.4. Nominations. Nominations of persons for election to the Board of Directors of the Corporation at a meeting of the stockholders may be made by or at the direction of the Board of Directors or may be made at a meeting of the Stockholders by any stockholder of the Corporation entitled to vote for the election of Directors at the meeting.

Section 1.5. Quorum. Except as otherwise required by law or the Articles of Incorporation, the holders of record of a majority of the shares of stock entitled to be voted present in person or represented by proxy at a meeting shall constitute a quorum for the transaction of business at the meeting, but in the absence of a quorum the holders of record present or represented by proxy at such meeting may vote to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is obtained. At any such adjourned session of the meeting at which there shall be present or represented the holders of record of the requisite number of shares, any business may be transacted that might have been transacted at the meeting as originally called.

Section 1.6. Chairman and Secretary at Meeting. At each meeting of stockholders the President of the Corporation, or in his absence or inability to act, the person designated by the Board of Directors, shall preside as chairman of the meeting; if no person is so designated, then the stockholders present at the meeting shall choose a chairman by plurality vote. The Secretary, or in his absence a person designated by the chairman of the meeting, shall act as secretary of the meeting.

Section 1.7. Voting; Proxies. Except as otherwise provided by law or the Articles of Incorporation, and subject to the provision of Section 1.11:

(a) At every meeting of the stockholders each stockholder shall be entitled to one vote for each share of capital stock held by him.

(b) Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy.

(c) Each matter, other than election of directors, properly presented to any meeting shall be decided by a majority of the votes cast on the matter.

(d) Election of directors and the vote on any other matter presented to a meeting shall be by written ballot.

Section 1.8. Adjourned Meetings. A meeting of stockholders may be adjourned to another time or place as provided in Section 1.5. Unless the Board of Directors fixes a new record date, stockholders of record for an adjourned meeting shall be as originally determined for the meeting from which the adjournment was taken. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote. At the adjourned meeting any business may be transacted that might have been transacted at the meeting as originally called.

Section 1.9. Consent of Stockholders in Lieu of Meeting. Any action that may be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by all of the holders of outstanding stock entitled to vote thereon.

Section 1.10. List of Stockholders Entitled to Vote. Before every meeting of stockholders a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder, shall be prepared and shall be open to the examination of any stockholder for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. Such list shall be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 1.11. Fixing of Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed; and the record date for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

ARTICLE TWO

DIRECTORS

Section 2.1. Number; Term of Office; Qualifications; Vacancies. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors. The number of directors that shall constitute the whole Board shall be determined by action of the Board of Directors taken by the affirmative vote of a majority of the whole Board. Directors shall be elected at the annual meeting of stockholders to hold office, subject to Sections 2.2 and 2.3, until the next annual meeting of stockholders and until their respective successors are elected and qualified. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director, and the directors so chosen shall hold office, subject to Sections 2.2 and 2.3, until the next annual meeting of stockholders and until their respective successors are elected and qualified.

Section 2.2. Resignation. Any director of the Corporation may resign at any time by giving written notice of such resignation to the Board of Directors, the President or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon receipt thereof by the Board of Directors or one of the above-named officers; and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective. When one or more directors shall resign from the Board of Directors effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in these Bylaws in the filling of other vacancies.

Section 2.3. Removal. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of Directors.

Section 2.4. Regular and Annual Meetings; Notice. Regular meetings of the Board of Directors shall be held at such time and at such place, within or without the State of Kansas, as the Board of Directors may from time to time prescribe. No notice need be given of any regular meeting, and a notice, if given, need not specify the purposes thereof. A meeting of the Board of Directors may be held without notice immediately after an annual meeting of stockholders at the same place as that at which such meeting was held.

Section 2.5. Special Meetings; Notice. A special meeting of the Board of Directors may be called at any time by the Board of Directors, the Executive Committee, the President or any person acting in the place of the President and shall be called by any one of them or by the Secretary upon receipt of a written request to do so specifying the matter or matters, appropriate for action at such a meeting, proposed to be presented at the meeting and signed by at least two (2) directors. Any such meeting shall be held at such time and at such place, within or without the State of Kansas, as shall be determined by the body or person calling such meeting. Notice of such meeting stating the time and place thereof shall be given (a) by deposit of the notice in the United States mail, first-class, postage prepaid, at least two days before the day fixed for the meeting addressed to each Director at his address as it appears on the Corporation's records or at such other address as the director may have furnished the Corporation for that purpose, or (b) by delivery of the notice similarly addressed for dispatch by telegraph, cable or radio or by delivery of the notice by telephone or in person, in each case at least 24 hours before the time fixed for the meeting.

Section 2.6. Presiding Officer and Secretary at Meetings. Each meeting of the Board of Directors shall be presided over by the President or in his absence by such member of the Board of Directors as shall be chosen by the meeting. The Secretary, or in his absence an Assistant Secretary, shall act as secretary of the meeting, or if no such officer is present, a secretary of the meeting shall be designated by the person presiding over the meeting.

Section 2.7. Quorum. A majority of the whole Board of Directors shall constitute a quorum for the transaction of business, but in the absence of a quorum a majority of those present (or if only one be present, then that one) may adjourn the meeting, without notice other than announcement at the meeting, until such time as a quorum is present. Except as may otherwise be required by the Articles of Incorporation or the Bylaws, the vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.8. Meeting by Telephone. Members of the Board of Directors or of any committee thereof may participate in meetings of the Board of Directors or of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

Section 2.9. Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board of Directors or of such committee.

Section 2.10. Executive and Other Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate an Executive Committee and one or more other committees, each such committee to consist of one or more directors as the Board of Directors may from time to time determine. Any such committee, to the extent provided in such resolution or resolutions, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation between meetings of the Board of Directors, including the power to authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have such power or authority to amend the Articles of Incorporation, adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution, amend the Bylaws or otherwise to act (other than to make recommendations) where it is provided by law or by the Articles of Incorporation that any vote or action, in order to bind the Corporation, shall be taken by the Directors, and unless the resolution or articles of incorporation shall expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock or adopt a certificate of ownership and merger pursuant to K.S.A. 17-6703. In the absence or disqualification of a member of a committee, the number of members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Each such committee other than the Executive Committee shall have such name as may be determined from time to time by the Board of Directors.

A majority of the committee shall constitute a quorum for the transaction of business at any meeting for which written notice has been given to all members or for which notice has been waived by all members. Each such committee shall keep a record of its proceedings and may hold meetings upon one (1) day's written notice or upon waiver of notice signed by all of the members of the committee either before or after said committee meeting.

Section 2.11. Compensation. Directors shall receive compensation for their services as directors or as members of committees as may from time to time be fixed by the Board of Directors. They may also be reimbursed for their expenses in attending any meeting and in the transaction of business for the Corporation.

ARTICLE THREE

OFFICERS

Section 3.1. Election; Qualification. The officers of the Corporation shall be a President, one or more Vice Presidents, one or more of whom may be designated Executive Vice President or Senior Vice President, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. The Board of Directors may elect a Controller, one or more Assistant Secretaries, one or more Assistant Treasurers, one or more Assistant Controllers and such other officers as it may from time to time determine. Two or more offices may be held by the same person.

Section 3.2. Term of Office. Each officer shall hold office from the time of his election and qualification to the time at which his successor is elected and qualified, unless sooner he shall die or resign or shall be removed pursuant to Section 3.4.

Section 3.3. Resignation. Any officer of the Corporation may resign at any time by giving written notice of such resignation to the Board of Directors, the President or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon receipt thereof by the Board of Directors or one of the above-named officers; and, unless specified in the resignation, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.4. Removal. Any officer may be removed at any time, with or without cause, by the vote of a majority of the whole Board of Directors.

Section 3.5. Vacancies. Any vacancy however caused in any office of the Corporation may be filled by the Board of Directors.

Section 3.6. Compensation. The compensation of each officer shall be such as the Board of Directors may from time to time determine.

Section 3.7. President. Unless the Board of Directors otherwise provides, the President shall be the Chief Executive Officer of the Corporation with such general executive powers and duties of supervision and management as are usually vested in such office and shall perform such other duties as are authorized by the Board of Directors. The President shall sign all contracts, certificates and other instruments of the Corporation as authorized by the Board of Directors.

Section 3.8. Vice President. Each Vice President shall have such powers and duties as generally pertain to the office of Vice President and as the Board of Directors or the President may from time to time prescribe. During the absence of the President or his inability to act, the Vice President, or if there shall be more than one Vice President, then that one designated by the Board of Directors, shall exercise the powers and shall perform the duties of the President, subject to the direction of the Board of Directors.

Section 3.9. Secretary. The Secretary shall keep the minutes of all meetings of stockholders and of the Board of Directors and issue notices of such meetings as necessary. The Secretary shall be custodian of the corporate seal and shall affix it or cause it to be affixed to such instruments as require such seal and attest the same and shall exercise the powers and shall perform the duties incident to the office of Secretary, subject to the direction of the Board of Directors. Any Assistant Secretary, in the absence or inability of the Secretary, shall perform all duties of the Secretary and such other duties as may be required.

Section 3.10. Treasurer. The Treasurer shall have care and custody of all money and securities of the Corporation and shall give bond in such sum and with such sureties as the Board of Directors may specify, conditioned upon the faithful performance of the duties of his office. He shall keep regular books of account and shall submit them, together with all his vouchers, receipts, records and other papers, to the Board of Directors for their examination and approval annually; and semi-annually, or when directed by the Board of Directors, he shall submit to each director a statement of the condition of the business and accounts of the Corporation; and shall perform all such other duties as are incident to his office. An Assistant Treasurer, in the absence or inability of the Treasurer, shall perform all the duties of the Treasurer and such other duties as may be required.

Section 3.11. Other Officers. Each other officer of the Corporation shall exercise the powers and shall perform the duties incident to his office, subject to the direction of the Board of Directors.

ARTICLE FOUR

CAPITAL STOCK

Section 4.1. Stock Certificates. The interest of each holder of stock of the Corporation shall be evidenced by a certificate or certificates in such form as the Board of Directors may from time to time prescribe. Each certificate shall be signed by or in the name of the Corporation by the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. If such certificate is countersigned (1) by a transfer agent other than the Corporation or its employee or (2) by a registrar other than the Corporation or its employee, any other signature on the certificate may be facsimile. If any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 4.2. Transfer of Stock. Shares of stock shall be transferable on the books of the Corporation pursuant to applicable law and such rules and regulations as the Board of Directors shall from time to time prescribe.

Section 4.3. Holders of Record. Prior to due presentment for registration of transfer the Corporation may treat the holder of record of a share of its stock as the complete owner thereof exclusively entitled to vote, to receive notifications and otherwise entitled to all the rights and powers of a complete owner thereof, notwithstanding notice to the contrary.

Section 4.4. Lost, Stolen, Destroyed or Mutilated Certificates. The Corporation shall issue a new certificate of stock to replace a certificate theretofore issued by it alleged to have been lost, destroyed or wrongfully taken, if the owner or his legal representative (i) requests replacement before the Corporation has notice that the stock certificate has been acquired by a bona fide purchaser; (ii) files with the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or destruction of any such stock certificate or the issuance of any such new stock certificate; and (iii) satisfies such other terms and conditions as the Board of Directors may from time to time prescribe.

Section 4.5. No Preemptive Rights. No holder of shares of any class of this Corporation, or holder of any securities or obligations convertible into shares of any class of this Corporation, shall have any preemptive right whatsoever to subscribe for, purchase or otherwise acquire shares of this Corporation of any class, whether now or hereafter authorized.

ARTICLE FIVE

INDEMNIFICATION

Section 5.1. General Indemnity. The Corporation shall indemnify, subject to the requirements of Section 5.4, any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Section 5.2. Derivative Suit Indemnity. The Corporation shall indemnify, subject to the requirements of Section 5.4, any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Section 5.3. Expense Indemnity. To the extent that a director, officer, employee or agent of the Corporation, or a person serving in any other enterprise at the request of the Corporation, has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 5.1 and 5.2 or in defense of any claim, issue or matter therein, such director, officer, employee or agent shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 5.4. Procedure. Any indemnification under Sections 5.1 and 5.2 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, or employee is proper in the circumstances because such director, officer, employee or agent has met the applicable standard of conduct set forth in Sections 5.1 and 5.2. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

Section 5.5. Advances of Expenses. Expenses incurred by a director or officer in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it is ultimately determined that the director or officer is not entitled to be indemnified by the Corporation as authorized in this Section. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

Section 5.6. Nonexclusive Rights. The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this Section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in a person's official capacity and as to action in another capacity while holding such office.

Section 5.7. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article.

Section 5.8. Continuation of Indemnities. For purposes of this Article, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Section with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

Section 5.9. Definition. For purposes of this Article, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Section.

Section 5.10. Benefits. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE 6

GENERAL PROVISIONS

Section 6.1. Waiver of Notice. Whenever notice is required by the Articles of Incorporation, the Bylaws or any provision of the General Corporation Code of the State of Kansas, a written waiver thereof, signed by the person entitled to notice, whether before or after the time required for such notice, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice.

Section 6.2. Fiscal Year. The fiscal year of the Corporation shall start on such date as the Board of Directors shall from time to time prescribe.

Section 6.3. Corporate Seal. The corporate seal shall be in such form as the Board of Directors may from time to time prescribe, and the same may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

ARTICLE SEVEN

AMENDMENT OF BYLAWS

Section 7.1. Amendment. The Bylaws may be made, altered or repealed at any meeting of stockholders or at any meeting of the Board of Directors by a majority vote of the whole Board.